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# East Europe Report

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21 OCTOBER 1986

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## MIXED PROSPECTS FOR INCREASED MEAT PRODUCTION

Warsaw ZYCIE GOSPODARCZE in Polish No 34, 24 Aug 86 p 4

[Article by Ludwik Staszynski: "Prospects for Animal Products"; passages enclosed in slantlines printed in boldface]

[Text] /At the present time, there are two divergent trends in animal products. Meat production, especially pork and poultry, is increasing, while the number of head of cattle and the production and purchases of milk are decreasing./

The increase of the production of hogs appears to be a natural consequence of the supply of feed--a relative surplus of rye and potatoes during the past year. (The prices after the harvest were already quite low, and it was difficult to sell them.) Another factor that increased the number of head and purchases was the damp harvest of 1985, when much wheat grew but lost its market value and was turned into feed. The role of economic stimulants cannot be assigned great weight. The period of increased purchase prices for live hogs in 1983-86 at most equaled the increased production costs.

## A Comparison of Profitability

We must reconcile ourselves to opinions based on research (from 1983) that reports "relatively high profitability for plant production (in absolute and relative terms), especially for wheat, and low profitability for animal production; /the gross income for one hour of work in milk production, live cattle and hogs in each size group was smaller than the income from plant production./ The size of the income for one hour of work on the largest farms was 2.5 times larger in comparison with the smallest ones. For live hogs, only farms of 10 or more hectares achieved a unit cost equal to the purchase price." (Footnote) (Jadwiga Reinstein, "Production Cost Accounting and Profitability"; POSTEP W ROLNICTWIE no 10-11/85, bulletin of the Association of Engineers and Technicians in Agriculture)

Such opinions make the continuation of the current positive trend in hog production and a halt in the decline in the number of head of cattle and milk purchases improbable. They also do not indicate any change in the structure of plantings based on the production of hogs. During just 1985 rye was

planted on 467,000 fewer hectares (13 percent); since 1980 potato plantings have decreased nearly 250,000 hectares (10.6 percent). These plants are basic in the feeds on private farms. The use of potatoes for feed exacerbated the shortage of coal in the rural areas.

The head count of animals in June 1986 was also unfavorable. /In comparison with the situation at the end of the 1970's, the number of head of cattle has decreased by 2 million, and the number of milk cows has decreased by 800,000-900,000. From June 1985 to June 1986, the number of milk cows on private farms decreased by as much as 300,000, which the increase in the number of heifers (by 30,000) has not made up for./

The number of hogs, the production and purchase of live hogs is still rising, but there are already signs that the rate of growth is decreasing. According to the June count the number of pregnant sows on private farms has decreased in as many as 39 voivodships, and in some significantly.

/Among the more unfavorable phenomenon in hog production is the substantial decline in the productivity per head, which appears primarily on private farms./ The production of live weight per head fell in 1980-84 well below 100 kg (except for 1983). A dozen or so years earlier productivity calculated in this manner was 20-30 kg greater. This factor, among others, /given a number of head similar to 1972-73, caused production in 1983-84 to be several hundred tons less./

In cattle production, the decline in the number of milk cows has not been accompanied by an increase per unit of milk production on private farms, where we have not observed any clear progress since the middle of the 1970's. This lack of progress--against the background of the rapid favorable changes in most of Europe--is a step backwards. This is all the more worrying because 83 percent of the raw milk comes from private farms (1985). An increase in milk productivity demands fundamental progress in feeding. The production potential of Polish cows remains to be fully exploited.

In the case of milk cows, besides economic conditions, the step backwards results from increased quality controls in purchasing and especially from the barrier of labor time. /Ninety percent of the cows are still milked by hand. Mechanization of the work has not been given sufficient attention. We do not have the statistical data that reveal the number of farms with machines and equipment for animal production./

In cattle raising there are other reasons for worry. There has been a clear decline in insemination, which includes now less than two-thirds of the number of cows on private farms (78 percent in 1978). The number of cowsheds inspected for quality has also decreased. Since 1981 the Central Office of Statistics has ceased publishing statistics on this subject.

There has also been no improvement in the average fat content of milk, which diverges significantly from that in other European countries. In Poland this is a very negative sign. For though barely 70 percent of milk protein is used in food, milk fat is already in short supply, as is shown by the resumption of butter imports in 1986. Against this background certain /doubts arise about the current preferred way of improving milk cows based on imported high-milk

producing breeds of cows (Holsteins), whose excellent milk is, however, relatively low in fat content./ Several European countries well advanced in milk production have rejected this method for improving their cow herds.

#### On Socialized Farms

This picture of animal production would be incomplete if we did not emphasize the changes that have taken place on the socialized farms during the last few years. /The number of hogs is approaching the high level of 1979-80. The production on the large specialized hog farms has in practice been restored. The rate of growth of the number of hogs on the state farms and the production cooperatives is higher than on the private farms./ The number of sows has increased significantly, guaranteeing the socialized farms a notable degree of self-sufficiency in piglets. /The productivity of the number of hogs on socialized farms exceeds the productivity on private farms by about two-fifths./

The number of head of cattle on socialized farms in comparison with 1979-80 has decreased greatly (about 1.3 million head, about 30 percent), while the number of milk cows has decreased about 160,000 head (about 19 percent). On the other hand, the productivity of milk per cow has increased to more than 2,700 liters per cow (on private farms it is slightly more than 2,700 liters). The restoration of poultry farm production is also slowly continuing. The production plans for slaughter poultry have been exceeded. Also, the egg market shows definite signs of over production, as the halting of purchases from private farms in some voivodships and the use of prohibitive purchase prices from these farms (30-40 percent lower in comparison with the prices from poultry farms) shows.

On the other hand, the hog farms built during the second half of the 1970's are nearly full, and the poultry farms are nearly full. On the other hand, buildings used a few years ago for cattle and milk cows are emptying.

The development of the socialized portion of the hog and poultry industry is obviously a significant burden for the national wheat and nutritive fodder balances, caused by the socialized farms not feeding hogs and poultry with locally produced fodders, especially potatoes. Simultaneously, private farms do not fully exploit their supplies of locally produced fodder, especially potatoes and rye. Moreover, they feed their animals irrationally and inefficiently, as the extremely low productivity per hog shows. /As much as 37 percent of the private farms, especially the poultry farms, do not raise hogs; 30 percent farms, cattle; 31 percent, milk cows. Millions of members of rural families buy meat, milk, and milk products for their own use. Is such a phenomenon in the current market normal?/

Economic conditions and relationships eliminate farms whose meat production costs are too high. Perhaps we can accept this, if the needs of the country were met completely, but this is not the case. Simultaneously, the shortage of meat production on a significant number of private farms leads to wasted fodder, buildings, and labor, which is also unfavorable given our market shortages, as the continuing rationing shows.

## A Barrier To Smash

The basic task of agriculture is to satisfy as completely as possible the people's needs for high-quality animal products with optimum use of domestic fodders, especially locally produced fodders. In the case of private farms these fodders are only partially used. The shortage of commercially produced fodders is also a barrier. /A substantial portion of the hogs and milk cows does not have access to high-quality mixtures of fodder for fattening hogs, sows, piglets, and for milk cows, without which we cannot obtain any clear improvement in their productivity./ The quality of the fodder concentrates leaves much to be desired. The fodder for hogs contains increasing proportions of ground grain. There are problems with the shipment of the guaranteed quantities of fodder.

The difficulties with the supply of commercial fodder is only partially caused by the shortage of foreign exchange to import protein components. The distribution of imported fodder is a major question. It is no secret (although exact, objective data on the subject are not available) that the largest hog and poultry farms are the main recipient of scarce imported fodder components of the highest quality./

In 1984 sales of nutritive fodder from state reserves for socialized farms amounted to 6 quintals for each large farm animal, while in the private sector it was only 2.8 quintals (according to the Central Office of Statistics). These calculations are deceptive, for the unsocialized farms here include large private poultry farms. If these are omitted, the purchases of fodder from state reserves by private farms would be much smaller. Moreover, there are differences not only in quantity but in quality, too. /The proportion of expensive, imported components in fodders distributed on contract to private farms is negligible./ They receive primarily domestic protein sources that are of little use or simply harmful to hogs.

Well supplied with imported protein components, the farm production will develop and improve its efficiency, which substantially determines its profitability. Subsidies for fodder (also formally available to private farms but practically unused in this sector), which supplement the above factor, are technologically and economically important. Access to quality imported fodders and substantial subsidies for producing fodder mixtures improve the economic efficiency of farm animal production by at least 50 percent (in comparison with private farms).

The differences between the sectors is also connected with the profitability of production. A unit of fodder based on potatoes is significantly more expensive than one of nutritive fodder based on wheat, on which large farm production depends exclusively. The dilemma is that in our peculiar soil conditions, where poor rye and potato soils are common, there is a shortage of wheat but there are plenty of potatoes.

Greater labor productivity, which results from the use of machines and equipment unavailable to private farms, is also a factor that increases the productivity of large farms. However, labor costs are beginning to play a greater role in the costs of these farms.

## Controlled Distribution or a Fodder Market

We can assume then /that the decline in the number of private farms for the production of slaughter animals, especially hogs, is conditional. It was forced by the system of subsidies and controlled distribution of the most expensive fodder components. The production of slaughter animals in particular sectors could be comparable if they were treated equally in terms of production conditions, especially as regards economics and supplies./

"Commercial fodders are the heart of the matter. The poor quality of these fodders in Poland is the principal cause of the high rate of wheat consumption in hog fattening, of the wasting of locally produced fodder, and the periodic crises in the production of pork.... Those breeds of animals should be preferred that can insure the greatest production of food while making the optimal use of domestic fodders." (Footnote) (Maria Kotarbinska, "Commercial Fodders in Pork Production," POSTE PY NAUK ROLNICZYCH no. 1/2/1981/1982.

Selectively supplying agriculture in imported fodder components unfortunately moves in the opposite direction. The subsidies for the production of fodder mixtures is out of date because it discriminates in favor of farms that achieve gains through the scale of production and against those whose costs are necessarily greater.

We also must agree with the opinion that the fodder producers and mixers should be moved closer to the farmers by assigning this task to various cooperatives, farmers circles, or even private agents. (Footnote) (Aniela Ziolek, "Services Connected with the Processing of Fodder on Private Farms," WIES WSPOLCZESNA no. 3/1986) In conjunction with the prices of fodder and components for producing it, prices based on genuine calculations could, in a very short time, produce significant rationalization of the feeding of animals on private farms too. They could even create in a very short time a genuine fodder market, which is a precondition for the efficient use of fodder. The elimination of these subsidies would have to be reflected in the purchase prices for slaughter animals.

Preferences for socialized farms were perhaps justified while hog and poultry production were threatened and the shock produced by the ending of fodder imports caused by Western restrictions existed. Today when the socialized farms have gained experience in producing fodder, the maintenance of various types of preferences for large farms is no longer useful. The elimination of subsidies and other adjustments is desirable, for it could remove deformations in the structure of the socialized farms' production, affecting their economic results.

/The decentralization of the distribution of commercial fodders, the creation of a genuine market for commercial fodders would obviously require control of the correctness of the procedures used, perhaps even licensing the fodder producers. Such steps should eliminate the present centralized, selective controlled distribution of fodder and its components. Controlled distribution has turned out to be an ineffective instrument for the harmonious development of animal production in all sectors of agriculture./

The initial proposals of the National Socioeconomic Plan for 1986-90 anticipate an increase in meat consumption of barely 2 kg per person. This does not meet society's expectations. There is reason to believe that appropriate steps could be taken to enlarge the increase in the planned level of meat production, if only by fuller use of the domestic fodder reserves and other factors throughout agriculture for increasing the production of slaughter animals.

13021/9312  
CSO: 2600/636

## CHINA'S FOUR MODERNIZATIONS EXPERIMENT VIEWED

Bratislava PRAVDA in Slovak 15 Aug 86 p 6

[Article by Emil Filak: "Idiosyncrasies and Problems--An Ambitious Experiment with Four Modernizations in the PRC"]

[Text] The People's Republic of China is one of the states which possess the most extensive resources of raw materials in the world; however, at present it is not using them to the fullest. An intensive geological survey of oil, coal and ore deposits is under way at this time with major participation of foreign companies. Nevertheless, the territorial conditions of the PRC directly affect potential exploitation of the resources of raw materials because not all of the newly discovered deposits are lucrative in view of the cost of transportation to processing plants which would be required and which must be included in financial estimates.

The PRC is an important producer of vegetable raw materials, namely, cotton, wool, angora yarn, jute, silk and tung oil. In 1978 the so called four modernizations program, i.e., modernization of agriculture, industry, defense, and science and technology, was declared in the PRC. A new system of agricultural management has been in force since 1980. Its purpose is to use higher material incentives for farmers in order to achieve a substantial increase in agricultural production.

According to the daily RENMIN RIBAO, only 5 percent of production assets of PRC domestic origin conform to international standards. The goal of the modernization program is to raise the standards in industrial and agricultural production prior to the year 2000; however, the PRC lacks adequate internal resources for such challenging stipulations and therefore it is logical that it is searching abroad for solutions. At the same time, this also determines the extraordinary role of foreign trade in that country's life. As for the part which foreign trade should play in the fulfillment of ambitious plans for the PRC's national economic development before the end of this century, distinctive ideological changes took place during the third session of the PRC Communist Party's Central Committee in 1978. The policy of open doors to all the world which was adopted on that occasion includes measures permitting an influx of foreign capital into the PRC and its participation in technological modernization of national economy by construction of new production facilities and by remodeling or updating of

the existing factories. However, its main purpose is to obtain information and to learn production methods, including those in the military area. The forms of joint ventures with capitalist companies should at the same time pressure the PRC industry to raise the quality and efficiency of its production along with pragmatic use of certain factors of management which are germane to capitalist methods of production.

Several forms of the PRC's cooperation with capitalist companies are practiced; the most frequent of them are joint ventures. In this kind of cooperation the share of foreign companies and the PRC's share in investments, management and profit-sharing are stipulated. This form is used in particular in the case of Japanese and West German companies but US companies are joining in it with increasing frequency. Another form is joint extraction of oil and vital minerals raw materials. In this type of enterprise foreign companies undertake at their own expense the geological survey and assume potential risks should the survey produce no results. In the event that the discovered deposits are exploited, the companies are granted preferential rights for such exploitation. Foreign companies may participate in mining or production; in that case they obligate themselves to modernize and intensify the production. In addition, foreign companies are given the opportunity to launch independent ventures in Chinese markets. In that case the company itself bears the costs and risks of its ventures. Interest in this form of enterprise is motivated by economic advantages, above all, by a cheap work force and materials and by various benefits which are granted to foreign companies (for instance, relief from customs duty and taxation).

As concerns the scope of foreign investments in the PRC, the most important cooperation in production is one where the foreign supplier provides the know-how and equipment, and the PRC provides the facilities, materials and work force for production. The objective of such cooperation is in particular to learn advanced technological methods. The division of profits is stipulated in pertinent agreements. In so-called compensation trade, which is widespread, equipment is usually supplied from abroad and paid for with goods which are then marketed by the foreign partner. This kind of trade has several forms.

According to the latest data, foreign companies are now involved to some extent in a total of 6,300 various programs and enterprises in the PRC, of which 2,300 companies are engaged in joint ventures.

After a certain lapse of time the legitimate question arises whether the open doors policy makes an effective contribution. Here assessments differ considerably. Facts have confirmed that neither many judicial modifications nor recent legal regulations of 1984 have completely fulfilled the expectations of the PRC leadership. Next to its unquestionable benefits, the rate at which the modernization of the PRC's economy has progressed and new technologies and technical know-how have been achieved has failed to meet initial projections. In certain instances officials have misused their status; there is corruption, illegal operations, etc.

Official representatives of the government intend to eradicate such negative consequences. The recent trip of Hu Yaobang, the general secretary of the PRC Communist Party, to the states of West Europe was an example of that intention. On several occasions Hu assured the representatives of West European trade that they need not fear the changes in the policies of the PRC leadership and that foreign capital was welcome in his country. Moreover, he promised changes in the mechanism of taxes and duties so as to assure foreign businessmen that their calculated profits will be safely deposited to the bank accounts of their companies and that they will not be subject to additional taxation or any other changes.

Nevertheless, it is a brutal fact that the PRC's trade balance with the nonsocialist world has not been developing favorably. Due to a sharp rise of imports, especially of consumer goods (passenger automobiles, television sets, refrigerators), the deficit of the PRC's trade balance "jumped" from \$2 billion in 1984 to \$14.9 billion in 1985. This development forced governmental authorities to adopt drastic measures, which means lower imports of consumer goods, particularly from Japan. Also, the opposition has begun to voice criticism of the implementation of the economic reform, underscoring its negative impact on the ideological area.

The proponents of the reform, led by Deng Xiaoping, maintain that in view of the PRC's current situation the path they have chosen is the only way to a relatively speedy transformation of a backward country into a superpower with advanced industry. They stress that the years of reckless experiments, the chaotic Cultural Revolution, must never be repeated and should serve as a warning for the leaders of the party and state now and in the future.

Proceeding from the thus far unsatisfactory results of the effect of foreign capital on the PRC, the Chinese leaders are obviously striving to go even farther to open their economy to foreign capital. Following the example of duty-free zones, free-trade zones, etc, which are widespread in various developing countries, so-called special economic zones were established. In essence, they are selected closed economic areas near harbors or airports where foreign companies and joint enterprises may import duty-free industrial raw materials and semifinished products for processing, and they may export the finished goods without hindrance to foreign markets.

Foreign entrepreneurs have recently shown considerable interest in the decisions of the PRC government to open to foreign capital 14 locations on the PRC's coast, including Hainan Island. The PRC attached great hopes to investment of foreign capital in the development of resources of fuels and energy, particularly in the exploitation of oil deposits over an area of 90,000 square km on the continental shelf; for its exploitation the PRC signed 23 agreements with 29 organizations from the USA, Britain, Japan and other countries.

It is obvious that a great and ambitious experiment is now under way in the PRC. The PRC's official application for membership in GATT (General Agreement on Tariffs and Trade) formally submitted not long ago in Geneva by the PRC representative has confirmed that, despite all difficulties, the PRC

leaders are determined to pursue their chosen path. It is a moot question to what extent the West will support their experiment. The experience thus far suggests that capitalist countries not only are concerned with maximum profits, but that their objective is to lead socialist economy into difficulties and then to profit even more from their predicament.

9004/12948  
CSO: 2400/407

## STRATEGY, ROLE OF WHOLESALE PRICING IN 1980'S

Prague FINANCE A UVER in Slovak No 5, 1986, pp 290-298

[Article by Assistant Professor Michal Sabolcik, doctor of science, minister chairman of the Federal Price Office: "Strategic Objectives for and Role of Wholesale Prices in the 1980s"]

[Text] The directives for national economic development that were adopted by the 17th CPCZ Congress set the strategic objectives for and the role of wholesale price policy for the Eighth 5-Year Plan. These objectives were established based on past performance, but their actual impact will depend on the success that we experience in mobilizing resources and utilizing these resources effectively in meeting our needs at a qualitatively higher level.

Overall economic intensification is a long range goal that dates from the 16th CPCZ Congress. Intensification is defined as increasing the efficiency of the national economy and improving the sophistication with which we satisfy pressing public needs on the basis of R&D progress and improved labor productivity. This is also the political-economic basis of the pricing strategy for the 1980s and the Eighth 5-Year Plan in particular, a strategy which should make it possible for pricing policy to play an active role in achieving the planned objectives for our economy.

It is well known that pricing strategy makes use of large number of relationship networks which are composed not only of prices but also of other mechanisms of economic management. In conjunction with these other systems prices contribute to the achievement of the overall objectives of economic policy, although their impact on this policy is always adjusted to account for the public interest.

At the same time one must be aware that this attention to final objectives does not imply that short term changes in price levels (reductions or increases in prices) should be equated with this strategy. The strategy actively uses price fluctuations to achieve established goals. This means that in relation to the economic objectives that we want to achieve price fluctuations are never undertaken just for their own sake. Strategic objectives and the means used to achieve them are never absolute. On the contrary, we must recognize both the role and the relative importance of

pricing in those processes that we want to develop or change, and then make active use of prices to achieve the desired results.

#### **The Starting Point for Pricing Policy for the Eighth 5-Year Plan--The Evolution of Wholesale Prices in the Seventh 5-Year Plan**

Economic performance in the recent past exerts a strong influence on the role of pricing policy in the Eighth 5-Year Plan. The choice of economic objectives for the Eighth 5-Year Plan as well as the plan for achieving them is based on analysis and the application of as many positive experiences as possible from prior years.

The objective of pricing policy in the Seventh 5-Year Plan was to increase the valuational accuracy of prices to correspond to the more demanding requirements involved in the conversion of the economy to intensification. This task was complicated because the entire management system at the same time had to deal as well with the consequences of ongoing increased prices for imported raw materials. A comprehensive analysis of price efficiency indicated that our pricing policy met the above objectives in spite of all the problems and difficulties.

Prices have had a positive impact on those factors that are involved in speeding up intensification processes. They have provided incentives for conservation of all types, for improved utilization of production factors, for rapid practical application of R&D results. Prices have also facilitated exports in an environment where prices are increasing worldwide at differentiated rates and where increased prices for new equipment are linked to much stricter demands on the performance of this equipment. Improving the accuracy of cost figures for economic inputs has become part of the overall increase in the valuational pressure exerted by prices on the efficiency of our overall product mix.

This general strategy for the Seventh 5-Year Plan made use of two dialectically opposed roles for prices: it made use of prices as a standard of value, and it made use of prices as a mechanism. This had a dual impact on pricing policy; namely, on the one hand, it assisted in moderating the negative consequences of increased prices for imports, while on the other hand it actively supported higher levels of valuation, reduction in materials intensiveness, substitution programs, etc.

As a result, during the Seventh 5-Year Plan there were changes in price levels and relative prices that reflected the new level of socially necessary costs domestically and abroad. This new valuational level of the costs on which prices are based caused a general increase in the price level. Specifically, prices for fuel and power resources increased during the Seventh 5-Year Plan by 72 percent. Imported raw materials increased by 98 percent and domestic fuel and power resources increased by 60 percent.

During the Seventh 5-Year Plan the wholesale price level also increased in certain branches of basic industry, in construction materials, and in construction production. Wholesale prices of fuels increased by 78.4 percent, those of crude oil and crude oil end products by 134 percent, those of heat and electricity by 33.5 percent, those in ferrous metallurgy by 34.7

percent, those of nonferrous metallurgy products by 35.9 percent, those of construction materials by 34.7 percent, and those in construction by 21.5 percent.

Increased raw materials prices, including the creation of special purpose pricing reserves for inputs, proved, however, to be easier to handle than to moderate the impact of these increases in end products. The same was true of the gradual annual increase in the wholesale prices of fuel and power by 2-2.5 percent. In addition it is well known that the price of motor fuels and heating oils are increasing by 20 halers per liter each year.

Increasing the prices of raw materials stimulated substitution efforts and lent support to generally much more strict standards for the evaluation of resource management questions. Khozraschet [cost-accounting system] management principles have been developed in conjunction with directives from party and state agencies which mandate a reduction in standard fuel and power consumption of 2-3 percent. Price increases have also generated upward pressure on the cost and price structures of both processing industries and sectors involved in final production.

We will now discuss these questions in greater detail.

Above all one must take into consideration that pricing policy was in part designed to moderate a large portion of the 2 percent annual increase in fuel and power costs and to incorporate price changes of raw materials into the prices of end products in a differentiated manner.

For instance, 27 percent of the price increases in material inputs was absorbed when pricing the relevant end products. In cases where cost reserves existed and conditions existed for them to be mobilized, only a portion of the impact of increased raw materials prices was incorporated into the pricing structures of finished product sectors. The result was price increases on a sectoral basis as follows: chemicals and rubber products, 8 percent; engineering, 5.1 percent; glass and ceramics, 9.7 percent; forest products, 4.2 percent; textiles, 3.5 percent; transportation and communications rate structures, 8.8 percent; forest management sector prices, 12.1 percent. Absorbing some of these price increases increased pressure on the identification of underutilized capacities, which could assist in overcoming the negative consequences of increased input prices and further hold down price increases for end products. Mobilizing these reserves contributed to reduced production costs in certain areas, such as capital equipment, export products, consumer goods, and production consumption. By exerting maximum efforts to maintain retail price levels while at the same time optimizing subsidies, reducing production costs and improving product quality, this policy helped to minimize the impact of increased wholesale prices on sales tax revenues, thereby holding down potential increases in subsidies.

Understandably, however, a number of both positive and negative phenomena also had an impact on the area of end products, and especially on export efficiency and budgeted costs. These nonprice factors often offset the gains achieved through pricing policy.

Obviously the moderation program could not deal completely with all the consequences of price increases which had to be incorporated into the processing sector and into the prices of end products, along with adjustments in other mechanisms. This however had no impact on the basic principle of pricing policy, namely to reduce production costs. It simply became necessary to execute this strategy with a different group of economic indicators. In fact, the role of this strategy increased significantly with the increased demands being made by customers in terms of performance characteristics and overall product quality.

At the same time daily experience confirmed most emphatically that to overcome the consequences of cost increases overall economic policy, including pricing policy, must be devoted to improving nationwide economic efficiency by better coordinating the material flows and price-cost relationships of the economy. This is the only way to assure that improvements made in certain sectors of the economy will not be overwhelmed by ongoing inefficiencies in other sectors. The same is true of the level of strictness with which the valuational impact of pricing strategy and of prices themselves are applied to economic processes. All the effort in the world to increase the valuational accuracy of prices will be wasted if it is not accompanied by an equivalent degree of attention to the valuational accuracy to the plan, to the accuracy of financial and credit policies, to wage policy, to standard-setting activities, etc.

In other words we cannot permit a situation to develop in which resources which are lacking and which cannot be "obtained" through price increases can be transferred to economic organizations through subsidies, loans, changes in the plan, etc. To allow this to happen would be to wipe out any differences between well-managed and poorly managed enterprises. This would necessarily undermine the efficiency of the management system in fostering intensification. Put simply, this "differentiation principle" of effective economic strategy and its related mechanisms fully apply as well to the evaluation of the performance of each and every individual.

The basic principles of the Eighth 5-Year Plan undoubtedly have an impact as well on another fundamental component of the redefinition of our pricing system, namely price formation for new products.

Price formation plays an important role in fostering intensification enhancing innovative activities within the economy (which are the basis for quality economic growth) precisely because it links new product prices to both intensification processes and, by extension, to R&D progress as well.

The Eighth CPCZ Central Committee Plenum openly and critically pointed out a set of issues regarding the link between R&D, quality economic growth, and prices, and established a long range program for the rapid practical implementation of R&D findings.

Based on specific R&D objectives this program has focused pricing policy on both the maximum possible support of intensification processes and on the evaluation of the effectiveness of new product prices in terms of demonstrated and user benefits. The objective is to implement a price reduction per unit of social utility in all areas of final use.

In pursuit of these objectives price formation activities have made differentiated use of the mechanisms at its disposal, price formation techniques, regulations, and various forms of incentives and penalties. We have consequently begun to provide our producers with reference pricing so that they can evaluate their production efficiency not only in terms of internal conditions but also in terms of their achieved export efficiency. We are thus making use of prices to introduce the stricter criteria of the international division of labor into our domestic economy, in its standards, decision making procedures, production profitability, and product quality. Many of our firms have not been pleased with this. Some have sought a way in concealed price increases based on fictitious innovations. These attempts have been punished severely.

There have also been attempts to back off from plan targets and cost reduction goals, to take out loans, and generally to take advantage of every inefficiency and loophole in the management system. We have been clear as to the antisocial nature of these actions and are using the control systems available to us to punish such activities.

We are dealing with these problems by structuring clearly our pricing policy and overall strategy to support and assist those organizations which are meeting intensification objectives by the admittedly difficult, but only socially acceptable means of increasing labor productivity and product quality, reducing costs, and upgrading the technical and economic specifications of end products. Dealing with problems in this way contributes to a greater level of satisfaction of social requirements, one that also corresponds to demanding new international conditions. Prices have their well defined and outlined role within the economy. For this reason their role cannot be exaggerated, because under socialism they cannot take the place of a set of specific approaches to development that are coordinated mainly by the plan.

There is no doubt that given the demanding environment in which we operate we have not been as successful in the above undertakings as we would have liked. In particular we have not succeeded in reducing prices in a differentiated way where conditions warrant, even though the overall price level has increased.

Many times we have given way to fiscal considerations which dictated the retention of high profitability levels without regard for foreign sales performance or the potential for developing a domestic production capability.

High profit margins and their attendant high prices have on occasion retarded production increases, even though the material resources existed to accomplish such an increase.

We are having great difficulty in dealing with the rigorous valuation principles applicable to price reductions per unit of social utility.

We also assumed that price limits would be more effective. Their effectiveness is restricted, however, by tendencies to cover up instances of exceeding budgeted investment targets by nonprice means, tolerating the underutilization of existing facilities, and other shortcomings. At all levels these shortcomings are explained away by their alleged "objectivity".

Taken together, the shortcomings result in a reduction in our hard earned national income and detract from the effectiveness of management. The management process is deformed, and the deformations are justified on the grounds that errors and shortcomings are the fault of no one in particular. On the contrary, the entire system should upgrade the political and professional sophistication of its evaluation procedures, strategic planning, and decision making criteria, with the resultant improvement in fixing accountability for performance.

The old practice of rewarding good performance and tolerating poor performance cannot be allowed to continue. Not only is it in conflict with the resolutions of the 17th CPCZ Congress, but it has highly negative political and economic consequences.

#### **Role of Pricing Policy in the Eighth 5-Year Plan**

The 17th CPCZ Congress adopted a rigorous but feasible plan for accelerating economic development. To meet its objectives a significant percentage of the requisite new resources will have to be obtained through economic intensification and the mobilization of underutilized resources. This is also a condition for further increase in investments in modern equipment and technologies, for increasing labor productivity and reducing materials energy, and labor intensiveness of production. Moreover it is also the basis for resource formation that will permit increased personal consumption.

These programmatic objectives for the economy also form the basis for our pricing policy, which is designed to support actively an acceleration of the intensification process.

In pursuit of these objectives the 17th CPCZ Congress mandated an increase in quality, reliability and efficiency of all valuational mechanisms, and particularly prices, decision making criteria, and technical and economic specifications. In conjunction with these measures and in line with the resolutions of the 17th CPCZ Congress pricing policy is also designed to reduce the wholesale price level during the Eighth 5-Year Plan, bring relative prices into better alignment, place more realistic values on factors of production, i.e. values which correspond to the levels and structure of social costs, so that our prices will better reflect worldwide developments and improve the competitiveness of our exports. This will make it possible for us to compare our productivity, costs and prices with those of leading world producers. It will also lead to more efficient distribution processes and to a more objective application of socially desirable subsidies.

The task of "improving the quality of central management, upgrading the long range accuracy of central planning and systematically integrating predictions, long range considerations and 5-year plans" is one of the most important preconditions for having a successful impact on the effectiveness of pricing strategy, decision making criteria and upgraded technical and economic specifications. "This means that central agencies must follow the overall proportions of the plan, meet long range objectives consistent with a balanced economy and the social efficiency of critical structural and innovation programs." [Report of CPCZ Central Committee Presidium on Status of Work on

the Eighth 5-Year Plan for the Socio-Economic Development of the CSSR and the Plan for 1986. *RUDE PRAVO*, 30 Nov 1985, p 4].

This entire process depends on the capability of our enterprises to adapt rapidly.

The 17th CPCz Congress stressed the necessity for stricter valuational criteria for the Eighth 5-Year Plan to permit the creation of an environment within which organizations, in their own interest, may pursue the best possible management of public resources and the maximum efficiency of their own production.

All of the foregoing objectives depend on our success in converting to a qualitatively higher level of intensification. For this reason the increase in national income projected for the Eighth 5-Year Plan depends on intensification and, specifically, more intensive progress in innovations. Success in this area will provide a new and better quality to economic growth. This will be evident in the techniques, factors and areas in which this growth is achieved.

For instance, the Eighth 5-Year Plan calls for production to increase at a lower rate than national income growth. National income is projected to increase at a minimum of 3.5 percent annually, or 18-19 percent over the entire 5-year plan. This objective, moreover, sets the stage for significant changes in the structure of our production. Those sectors that are involved in electronization and robotization of the economy will grow at a rate that is at least a factor of 2 greater than other sectors. This will also make it possible to increase quality, useful life, and to improve the service we provide for our products.

The principal and indeed sole possible source of growth remains intensification, i.e. the growth of labor productivity based on modern equipment and technology and the related mobilization of all underutilized capacities. Success in this endeavor will be evident in reduced production consumption. Production consumption as a percentage of social product is projected to decline by 1 percent annually.

Average annual conservation of iron ore and rolled materials is projected to be 4 percent in the Eighth 5-Year Plan, which is about twice the figure for the Seventh 5-Year Plan. The engineering sectors should be able to use 5 percent less of ferrous and nonferrous metals annually.

We expect capital asset efficiency to stop declining in the Eighth 5-Year Plan and for labor productivity to increase. Labor productivity increases are projected to account for 92-95 percent of any increases in national income. These demanding tasks will combine to produce the necessary decline in production costs for our products and to increase our production efficiency.

It would obviously be possible to analyze in more detail the entire complex of tasks which form the basis of our economic and pricing policy. These may be summarized, however, by stating that the measures that have been adopted for the management system, for the plan, for the mechanisms of the management process, along with the specific measures related to materials and price-cost

relationships together set the groundwork for an active role for prices in facilitating intensification by reducing our production costs while simultaneously increasing end user satisfaction. This is the most important precondition for a reduction in wholesale prices in the Eighth 5-Year Plan.

Reducing the prices of our output will require a reduction in the materials and power intensiveness of our products, as well as a reduction in their engineering intensiveness. In all these areas our costs are out of line with those of the rest of the world. To increase efficiency we must also increase the percentage of products that we mass produce. At the same time we need to increase their quality and technical and economic parameters to bring them in line with the conditions required by our position in the international division of labor. We must also accelerate the pace of our R&D programs, because this is one of the best means for enhancing efficiency, enabling us to exploit underutilized reserves, reduce labor requirements, and achieve a positive impact on both costs and the structure of our product mix.

Other trends promise to assist us in implementing our objective of reducing wholesale price levels. The most evident of these is the decline in world fuel and power prices, which will result in lower acquisition costs for our imports of these items. These declining trends, even though they only exist in certain areas, will continue to occur, making it possible for us to reduce the levels of financial reserves held to moderate price increases, and which currently are in our budget calculations.

Changes in the prices of fuel and power resources are now supporting the strategic objectives we are trying to accomplish through pricing. We must, therefore, and despite other changes in input prices, proceed to accelerate R&D progress not only by producers, but by users as well. We can achieve this, among other means, by gradually having wholesale prices for inputs reflect world price relationships of raw materials in such a way that these relationships exert a positive influence on price reductions for innovative products. Examples of areas where this procedure would be applicable would be the prices of synthetic versus those of metallurgical materials, or the price relationships between high grade and low grade steels.

Changes in prices of raw material inputs and in wholesale price relationships are, to be sure, an important factor in the differentiated reduction of end product pricing, but they are far from the most critical. The critical factor is the price level of the product mix of our entire processing industry, because this is the sector that adds value to raw materials with a greater or lesser degree of success, with the latter determined through comparisons with foreign firms in the same businesses.

Both inexpensive and expensive raw materials can be ruined if the products into which they are made have poor technical specifications, are of low quality, or are obsolete. Even if a given raw material is turned into a state of the art, high quality product or if that product is produced in a small production run, it may still be too expensive and have to be sold at a loss if its price must reflect a lot of idle capital asset capacity or a lot of overhead expenses per unit. We want to change this situation. But not by forming a price based on individual costs as some producers are trying improperly to accomplish. Prices must be based on socially necessary costs

which correspond to the level to which social needs are being met. Under our conditions sales performance in foreign markets must be taken into account when determining this. The domestic market cannot and will not be able to deal with the poor management and low level of sophistication of the production and sales processes. We cannot deal with an unprofitable economy by increasing prices, but only by increasing labor productivity.

A price reduction in the Eighth 5-Year Plan is an objective necessity if prices are to exert an active influence on reducing the costs of our production, producing higher quality products to better end users and to increase sales. By the same token, a number of material and valuation changes, including some which relate to management system effectiveness and its mechanisms are needed if prices are to be reduced. These include declines in the materials and energy intensiveness of production, improved capital asset utilization, and comprehensive reserve mobilization to reduce production costs. These in turn will require further increases in incentives for producers to develop innovative, state of the art products. Continuous upgrading of comparative calculations of imports and exports in terms of wholesale and all charges paid prices, improving the criteria for valuing raw material inputs in processing industries, and programs to support khorrasachet and incentive programs will all assist in achieving this goal.

Implementing this differentiated reduction of prices in the Eighth 5-Year Plan will involve the use of all the mechanisms available to the system of state price management, because this involves planned changes in price levels and relative prices which were initiated by the adjustments made to wholesale prices as of 1 Jan 1986 and which will continue throughout the Eighth 5-Year Plan, as well as a price formation system with its attendant mechanisms, analysis and control systems.

We should state at the outset that such price reductions carry inherent risks. Above all we cannot rule out the possibility that the cost of imported raw materials will not increase. We must therefore carefully calculate the reserves that will be kept to offset possible price increases.

By the same token the investment intensiveness of domestic coal mining and raw materials extraction operations and the related production of electricity and heat is rising. We are mining at ever increasing depths. The declining quality of coal increases operating costs. Ancillary investments are also increasing. Examples of these are the prospecting costs for discovering new deposits and the costs of building nuclear power plants.

We have had some success in moderating the 2 percent price increases for the output of the fuel and power complex. On the other hand this complex must help by striving to reduce its own costs. While implementing differentiated price reductions we are planning to monitor the performance of the fuel and power complex and have prices reflect to a bearable extent the results of the efforts of this industry to control costs.

Another risk is the high R&D intensiveness of robotization and electronization which will require a good deal of reconstruction and upgrading of our production facilities. This upgrading will be highly investment intensive and require significant amounts of imported equipment. Potential in this area

depends on national income growth and the performance of economic programs.

Other risks include time, the payback period of the resources committed to these ventures, along with success in selling our products, while retaining the balance to our relationships with trading partners and continuing to upgrade our standard of living.

We also face ecological problems. These include providing enough potable and process water for our needs, waste water purification, air pollution controls, and a healthy diet.

Other risks exist, including subjective ones such as a continuing low level of efficiency in the management system, insufficient standard setting programs, poor decision making criteria, etc.

Neither economic nor pricing policy can avoid these risks, however. These problems must be confronted and dealt with creatively and assertively with efforts directed at those areas where we are the most capable, with a minimum of additional invested resources, of achieving a maximum impact in terms of making production less expensive, better satisfying higher standards of performance and quality in both the domestic and our foreign markets. Our objective is to meet plan targets for our economy. We must not use these objectives to cover up short term losses, but rather use them as incentives to improve the quality of our economic growth and national income. This is the objective of both overall economic policy and of the price policy of price reductions for the Eighth 5-Year Plan.

Price reductions were initiated by the price adjustments of 1 Jan 1986. Prices were reduced in processing industries, mainly in the engineering, electrotechnical, chemical and the consumer goods sectors. Wholesale price changes affected 72 branches and their divisions. In 62 percent of these branches wholesale prices were reduced. The price level declined by 6.4 percent in the branches where prices were changed, and by 0.4 percent in the remainder of the economy. The greatest reductions occurred in selected branches of the engineering and electrotechnical sectors, which amounted to 11.7 percent.

These price changes have improved our export competitiveness, facilitated the application of R&D results, and have provided incentives to producers to develop the desired product mix through differentiated adjustments to return on investment incorporated into prices.

Selling markups have been changed for 1986 for selected marketing organizations. There have also been adjustments in levels and relationships between retail margins. In part these adjustments are intended to deal with the results differentiated costs increases on the distribution of goods, to improve levels of services, etc. Retail margins are increasing by 0.6 percent with a differentiated structure: margins have increased for trade ministries and production cooperative unions; this is compensated for by increased retail margins for industrial sector trade organizations.

In conjunction with the adoption of more effective measures related to export incentives the practice of providing preferential and penalty pricing for exported production is being eliminated. The incentive measures that replace this practice provide better support to exports because they make it possible to differentiate exports by both commodity and territory. The previous one time price markup could not accomplish this type of fine tuning.

Pricing regulations are also being implemented which apply the rigorous criteria of the international division of labor to price formation procedures. This is fully in line with the resolutions of the 17th CPCZ Congress which mandated a gradual integration of foreign with domestic pricing criteria.

Pricing measures for 1987-1990 are still in the works. They are being based, however, on the new conditions for valuing material inputs and also apply an active role for the pricing system aimed at reducing production costs throughout the processing industries.

The resultant opportunity for reducing the price level in the Eighth 5-Year Plan, which we analyzed earlier in this article in terms of its preconditions and risks, should be taken advantage of by instituting changes in relative prices that will support R&D progress, provide incentives for replacing imports with domestic production, and to increase export competitiveness while reducing our production costs.

Planned adjustments to the wholesale prices of end products that are to take effect as of 1 Jan 1988 are based on changes in the price level and relative prices of raw material inputs. The values attached to given raw materials, however, display several conflicting tendencies.

First of all we plan to reduce the prices of raw material inputs to the extent warranted by projected developments in foreign prices. We will also incorporate into the adjusted prices the mechanisms applicable to foreign trade with socialist countries. Projections of trade conditions for the second half of the 1980s make it possible to estimate the level of reserves required to cover price fluctuations. We can then plan for the creation of these reserves and adjust their levels to correspond to all the risks that we can reasonably foresee.

The planned wholesale price adjustment for 1 Jan 1988, for instance, projects a reduction in the price of crude oil, of natural gas exclusive of distribution and differentiated based on power generation of chemical industry use, of coal gas and other gaseous fuels, of iron ore and pig iron depending on whether it is imported from socialist or nonsocialist countries, of imported ferrous alloys, a number of nonferrous metals and other materials.

On the other hand the trend in the fuel and power complex will be towards increasing prices. This will be especially true of coking coal, coke, electricity and heat. Operating and investment costs for the power sector will increase, particularly those of thermal electric power plants.

We plan to deal with this trend towards rising prices in the fuel and power complex by exerting the maximum possible pressure towards reducing standard fuel and power consumption by increasing the prices of these items.

Two approaches have been planned. Beginning in 1988 there will be a 2 percent annual increase in the wholesale price of power coal, energy, and heavy heating oils, with a moderation program for consumers similar to that used in the Seventh 5-Year Plan.

In addition to this 2 percent annual price increase a one-time increase is planned for 1 Jan 1988 in the wholesale price of coking coal, coke, etc.

All of these price modifications will result in more rational price relationships.

Changing the valuation that is placed on imported raw materials is bringing us closer to relative prices that prevail worldwide. This is especially true of alloying additives (nickel, tungsten, molybdenum) and nonferrous metals (copper, aluminum, lead). This makes it increasingly more feasible to incorporate R&D findings into end products.

The plan to increase the wholesale prices of fuel and power resources is dependent on the planned development of costs in the domestic extraction of coal, and also takes account of planned structural changes in the coverage of our fuel and power needs. It supports a switch from heating oils to natural gas for certain aspects of power consumption. For this reason reductions in the wholesale price of natural gas are planned only to the extent that adjusts the price of natural gas with regard to heating oils based on heat content, thereby eliminating the disadvantage inherent in the switch of consumption from heating oils to natural gas. The proposed reduction in the wholesale price of crude oil will have no impact on the price at which consumers purchase crude oil products for burning, whether it be heating oils or fuels. Moreover, we plan to continue to implement numerous measures aimed at achieving maximum possible conservation of heavy heating oils and diesel fuel.

Reducing the wholesale price of crude oil is intended to facilitate a reduction in the prices of related products made of plastics and synthetic fibers. Such a reduction will also improve its relative price in terms of world levels for the engineering and consumer goods industries.

One important price related measure of the Eighth 5-Year Plan is a significant and at the same time selective price reduction for the processing industry which we plan to introduce as of 1 Jan 1988.

Price reductions in processing industries are closely related to the tasks of the Eighth 5-Year Plan, and especially those concerned with cost reductions, increased return on assets and the planned development of investment intensiveness. These reductions also carry out tasks mandated by the resolutions of the CSSR Government No 243/84 and No 1956/85 regarding adjustments to costs and profits when calculating new prices to reflect nonutilization of capital assets. In contrast to previous practice, prices are not to include depreciation from fully depreciated capital equipment.

New prices must work in support of the planned objective of fully utilizing capital assets. This is also one way to put some limits on continually high investment requirements. For example, in 1984 job openings for employees in

industry that were created by installing capital equipment were filled only at a 72.6 percent level. This translated into a shortfall of 680,000 workers below the level needed to utilize existing capacity fully. Less than full utilization ties up public resources; it is not effective to further replace these assets either through prices or through other financial means.

In financial terms new prices will bring into line the relationship between profits and the development of prices, as well as the relationships between profitability, the level of transfers, and khozraschet. The principles of khozraschet management in the new environment of intensification require that job demands be clearly tied to a merit system of compensation. New prices must optimize the profit that is incorporated in them consistent with the demanding new conditions of intensified formation and use of the resources of expanded replacement. For this reason a portion of reduced costs, which initially increases profits, will be used to also reduce prices rather than to preserve a high profit margin in unchanged prices, much of which would be drawn down through excessive transfers. This objective will also contribute to making redistribution processes more realistic. In sum, it should result in reduced subsidies, although the structure of subsidies will evolve in a differentiated manner. For instance, subsidies will increase for domestic iron ore, nickel, etc., while reduced prices for natural gas will eliminate subsidies for ammonia production. At the same time price adjustments help create broader opportunities for sale taxes. New prices will also increase plan pressure on cost reductions.

The new calculation base for prices will be reduced by certain expenditures related to enterprise social consumption that are currently a part of costs (such as those for cultural, recreational and sporting activities). Plans are to shift to a system where these activities are financed out of profits. Removing these expenditures from the cost structure creates for individual organizations a more rational link between the amount of these expenditures and merit.

All our efficiency enhancing adjustments to prices and profits will be based on the principle that socially necessary costs cannot be defined to include costs of marginal producers or of firms which meet social needs using obsolete equipment, poor organization or which have excessive costs. If prices are to generate pressure towards desired levels of production efficiency, then they must be based in a given period on the most cost effective and progressive producers.

Reducing prices is intended to provide positive support for the development of intensification processes in our economy. This is not an easy task. It can, however, be fulfilled if problems which arise are dealt with through consistent application of public interests in accordance with more strict criteria for the operation of the entire economic mechanism, as established by the most recent CPCZ Central Committee Plenum and the program outlined by the 17th CPCZ Congress.

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**WRONG PRODUCTION INDICATORS SAID SLOWING INTENSIFICATION**

Prague HOSPODARSKE NOVINY in Czech No 31, 1986 p 5

[Article by Assistant Professor Eng Radim Vlcek, Candidate of Sciences, College of Economics in Prague: "Utility Measurement in Terms of Value Analysis"]

**[Text]** The article by Prof Jaromir Kolar entitled "Magic Formula and Buck-Passing: National Enterprise Efficiency" (HOSPODARSKE NOVINY No 24, 1986) deals with a serious problem. In my judgment, the solution is one of the key questions in the future development of our economy. What is basically involved is the extent to which the management mechanism of our national economy uses its tools to meet the requirements for an accelerated transfer of research and development results into practice. The question is: what should we do about it?

In a situation where the indicators which accentuate the quantity of work performed are considered to be mandatory, it is not possible to expect a turnaround in the enterprise behavior to greater efficiency, which is understood as the attainment of optimal benefits at the lowest possible production costs and the (best possible) utilization of the items produced. Because the anticipated results of effectively applied research and development include reduction in the socially necessary work [labor] per unit of utility, we find this to be the key reason, and also a barrier, to the required speed of technological progress in the intensification effort of our economy. Thus we agree with the author that from the point of view of the indicated effectiveness for society, and given the set of indicators now in effect, it is easier for the enterprise to increase the utility effect for society by way of extensive growth in the quantity of products which, however, becomes limited by the quantitative limits of demand.

**Not Just the Stick, But Also the Carrot**

From the fact that every national utility necessarily must have a corresponding level of individual utility--that is to say, each product must be available not only in demanded quantity [national utility value] but also in quality [individual utility value]--it follows that one cannot substitute quantity for quality. It is, therefore, difficult to agree with the author of the article when he claims that "...the growth in the number of products is essentially

necessary to the extent that we are not able to improve its utility characteristics..." or with his following statement that "...to the extent that we are not able to meet the demanded increase in satisfaction of final needs through the increase of the useful characteristics of the product, we must substitute an increased quantity of its production."

The validity of this claim can only be considered in the case of short-lived products. But economic life is one of the many functional characteristics of the comprehensive concept of utility.

But even preferential pricing, achieved as a result of added product utility value or increase of its individual utility value, is not an economically lasting road to development. In its consequences, it is frequently in conflict with the intensification process. That is because such incentives for product innovations in the production area frequently result in a price increase per unit of utility, which is a type of development opposite to that desired from the intensification process. But it is an incentive which fully corresponds to the effect of the above mentioned binding indicators which motivate the enterprises to increase the quantity of produced work and the preferential price treatment then helps enterprises to fulfill their required tasks.

In agreement with Prof Jaromir Kolar, we may state that the current system of mandatory indicators inadequately reflects such aspect of national utility as the relationship of utility to production costs and utilization of the product.

This leads us necessarily to the question whether there is at least a partial solution to the problem of appropriate expression of the increase in the utility of products, as presented by Prof Kolar, and also to the question of how to solve the contradictions between the effects of mandatory tools of management and efforts expressed by the stated concept of national utility.

In his article Prof Jaromir Kolar analyzes problems that concern mainly the first question, i.e., the correct expression of the growth in utility of the product and the consequences of the failure to adopt this criterion in the management of our enterprises. In addition to using a system of various organizations or specialized journals protecting consumer interests, the author proposes a so-called simplified method with which to measure a product's social effectiveness. Using this method, he establishes not only the utility and economic life of the product, but also ways to measure these basic characteristics of individual utility value relative to the total production costs. He then constructs an indicator of national utility with respect to the utilization of the product by the consumer. It is a pity that Prof Jaromir Kolar did not think, in this connection, to bring in value analysis.

Value analysis is not only a suitable tool for measuring and stating the utility, and then the overall social effectiveness of the product; it is a particularly convenient tool for achieving the required utility and for increasing social effectiveness of the product. In conjunction with the goal

of intensification of our economy by use of the value analysis method, we are achieving a growth of national effectiveness not just in three ways as Prof Jaromir Kolar concluded in his article, but in five ways. In addition to those mentioned by the author, i.e., a faster increase in social effectiveness with slower increase in costs, increase in utility with the same costs, and increase of utility with lower costs, there is the achievement of the same utility with lower costs and reduced utility relative to the required level of social optimum with the most rapid fall of costs. If we compare the ways of increase of social effectiveness mentioned above with the intention and goal of intensification, then not only the second and third way, as indicated by Prof Jaromir Kolar, but all five methods of achieving higher levels of effectiveness fully correspond to the intensification effort in our economy.

Utility value is only measurable as a category of needs. The basis of a number of methods being used in the value analysis for measuring product utility, is a comparison of exactly determined value parameters, or expertly established values of product characteristics which cannot be measured accurately, such as form, style, fashion, and color harmony with the values of appropriate parameters and esthetic appeal which express the desired standard with levels [of their quality], that is, they have the necessary social optimum of meeting the criterion of social approval. We are not concerned here with achieving extreme values in the sense of maximum or minimum, but such values, which at a certain level of social development and understanding, represent the socially desirable, that is, optimal standard. Then the maximalization of the indicator of the measure of effectiveness, which expresses social effectiveness, can be achieved through the five methods stated above. Each of them is a general expression for achieving the optimal utility at the lowest expenditure of (social) labor.

Measuring and then achieving the required product utility as one of the basic "parameters" of expressing the social effectiveness using the indicator of the measure of effectiveness has already been mastered in the value analysis to the extent that these categories (utility or functionality and social effectiveness) will make for objective tools of entrepreneurial management. It would appear then, that we are gradually arriving at the theoretical starting point for implementation of the utility indicators and social effectiveness as binding management tools.

#### A New Pricing Model

We now reach the solution to the second problem which is the gradual elimination of the conflict between the effects of binding management indicators which motivate enterprises only to increase production volumes and the trends arising from the criteria of required social effectiveness as the relation of utility to costs. The basic problem in this conflict, which has been formulated by Karl Marx as a contradiction between the utility value and utility, or exchange value. The effects of this conflict in practice are well known. Properly implemented research and development program leads to reduction of the ratio of quantity of labor per unit of utility. That results in the reduction of the wholesale prices for products which, in their sum, signify the decline in output in terms of value. Although such enterprise produces the same or even larger quantity of

utility values of higher quality, it fails to fulfill the plan and other indicators in terms of value and runs into problems. That is the fundamental characteristic of the stated conflict which, at times, is manifested as a tendency, sometimes with greater and at times lower intensity in slowing down the process of implementing the results of research and development in practice, as one of the significant factors of intensification. Within the existing framework of management mechanisms, we can see only one solution. The introduction and broad usage of the appropriately modified utility value (utility) and an indicator of the measure of effectiveness as mandatory tools of management. As management tools which emphasize the utility and social effectiveness, they can contribute substantially to the limitation of the one-sided effects of binding indicators which only provide incentive for quantity of work performance. But the standards of social effectiveness must gradually and fully come to dominate the entire management system, beginning with the system of planning. Only broadly implemented tools, based on the valuation of utility and social effectiveness can, in my judgment, contribute to the reduction of the levels of contradiction between the utility value and the exchange value.

Based on these thoughts and goals, the beginning of the Seventh 5-Year Plan saw some activity by almost a hundred experts from more than 20 VHJ, enterprises, research institutes, and universities. Within the framework of the Research and Development Society, in cooperation with the government committee for questions of planned management system of our national economy, they have made and are making an effort at finding and introducing into practice management tools based on the category of utility (functionality) and on relation of this utility to costs, or to social effectiveness. The purpose is to create a more effective pressure on production and [toward the expansion of] technological innovations.

The possibility of using utility as a management tool is being researched not only in the area of pricing but in the area of plan indicators in production, sales, research and development, and other areas of our economy. In the area of price setting, a new pricing model has been created. One that is sensitive to shifts in the area of utility value as well as changes in the area of costs. In this model, the gain in the product price grows in relation to growth in utility value and concurrently with the decrease of costs needed for its production. An appropriate distribution of such profit should prevent loss of the incentive role of the price created by this model.

This new product-pricing model, capable of motivating enterprises toward the desired increase in utility value, and also of providing incentives for substantial cost reductions has been experimentally verified in several enterprises and has been approved by the Federal Price Office (FPO Decision No. 4100/08.1/84). Thus it is price setting which is, and I agree with Prof Jaromir Kolar here, an important area which should contribute to the implementation of social effectiveness in our economic practice.

Concerning the area of binding indicators of planned production, sales, criteria for evaluating research and development and investments, etc., it is necessary to ensure ever broader utilization of these management tools which are based on usefulness and on social effectiveness. For example, in the current process of

reviewing the binding methodology of a unified system of evaluating research and development and investments, those criteria of evaluating effectiveness based on indicators of the measure of effectiveness as a relation of utility to costs are currently gaining.

#### Responses to Four Questions

It has been shown that the theory and practice of value analysis act positively on the condition and development of those manifestations and trends which are summarized by Prof Jaromir Kolar in the conclusion of his article in four points as a challenge to discussion.

With respect to the first question I would like to add that value analysis is, thanks to the so-called functional principle, the subject of a rather complex concept of utility (functionality) in which the level of utility values is expressed by substantive utility characteristics of a product being evaluated and improved. Each of the five earlier stated methods of growth of social effectiveness of the product would lead to maximalization of the indicator of the measure of effectiveness and thus cost to reduction per unit of utility. That is also fully in concert with the intensification process in our economy.

To the second question I might add that the approved model of new product pricing, verified and approved in an experiment of value analysis is also a product of the criticism of the calculating methods used in the price setting which have a generally anti-innovation character. The model for new product pricing, which is sensitive to growth of utility value and also creates pressure toward cost reduction, is a price-setting tool which motivates the entrepreneurship toward product innovation: toward innovations which are fully in concert with the intensification process of our economy.

As for the third and fourth questions, it could be said that the analyzed conflict between this method of mandatory indicators and development, which was needed from the viewpoint of social effectiveness are relevant to the extent that, in my opinion, they are one of the main causes of the slow and inadequate introduction of the results of research and development into practice and thus are slowing down the actual intensification process.

/12795  
CSO: 2400/396

**SLOW PROGRESS ON DANUBE WATER PROJECT CRITICIZED**

Bratislava PRAVDA in Slovak 18 Aug 86 p 3

[Article by Ivan Zradula, manager of the West Slovakia Kraj Committee of the CPSL, and PRAVDA editors, Milan Zelenay and Maria Slaninova: "The Water Project Calls for a Different Speed of Operations"]

[Text] The Main Directions of Economic and Social Development of the CSSR for the 1986-1990 Period and the Outlook to the Year 2000 stipulated: "In cooperation with the Hungarian People's Republic, to continue the construction of the Gabcikovo-Nagymaros water project on the Danube and to begin operation of its first unit in 1990."

The significance and impact of the Danube water projects have already been comprehensively explained. Therefore, there is no need for further explanation. After all, it is precisely the specific emphasis on this project in the documents of the [party] congress that is its best recommendation. The construction of the project should be advancing according to its importance, and yet it is not advancing.

At the same time when the session of our party's highest forum was under way, the situation of the construction of the hydroelectric plant in Gabcikovo was becoming increasingly alarming. For illustration let us mention a few facts.

A new stage of construction works--concreting--was launched last year in the main facility of the Danube project. The plan stipulated that the first 112,000 cubic meters of concrete be laid. In many ways that was a considerable volume, but it did not represent even one-tenth of the volume that is still facing the construction workers. However, less than one half of the planned volume was completed last year in the foundations of the power plant. What can be said about this year?

More than 360,000 cubic meters of concrete should be poured in the foundations. Yet in the first 3 months less than 13 percent of that volume could be laid, before the end of May, only one-fifth was completed. But time is pressing because everybody knows how important that construction is. Furthermore information which reached the public at that time indicated that the situation was serious. Experts warned: "If the tasks of the concreting program will not be fulfilled this year, the launching of operation of the first unit in 1990 will be in jeopardy."

Of course, the unsatisfactory progress of the works was then, and is now, in complete contradiction to the demands announced at the forum of the [party] congress or the West Slovakia Kraj Conference of the CPSL. Where does one find some explanation? Let us leaf through the documents of the annual membership meeting of the ZO [Factory Association] of the CPSL held in November in the Hydrostav branch plant in Gabčíkovo. At that occasion (in his contribution to the discussion) Peter Bugar, a foreman machinist, pointed to the shortages of machinery for concreting. "All works in the construction are done by the so-called method of substitution. For example, concrete pumps and the Liebher-Dartman conveyor were regarded as auxiliary equipment for the project, but because the delivery of a stationary conveyor belt was delayed, they are being used as primary equipment."

In his turn František Stopka, the concrete workers' foreman, criticized the shortages of spare parts for all machinery and mechanical equipment:: 13 automatic mixers for transportation of concrete had to be removed from service only because oil filters were unavailable. Eng Alfred Lacko, the director of the Hydrostav plant in Gabčíkovo and a delegate to the West Slovakia Kraj Conference, also spoke critically of those problems.

#### Machinery--One Part of Problem

Without any doubt, the shortages of vital machinery have contributed to a major extent to the underfulfillment of the planned tasks of the concreting program. The meeting of the party's economic control in which the representatives of high party and state agencies participated dealt already last October with the problems of mechanization in the system of water projects. That meeting adopted specific recommendation to improve the situation; nevertheless, many economic agencies of the federation and of the republic are still not meeting the needs of the construction, as underscored this year by the CSV [all-construction committee] of the CPSL. Upon its instigation the sector for party work in agriculture and forest and water economy at the CPSL Central Committee and the department for party work in industry, construction, transportation and communications at the CPSL Central Committee discussed the problems of water projects system in May. Thus, in fact, after more than 6 months measures for the fulfillment of tasks that had been discussed and recorded in documents from earlier party meetings had to be adopted all over again. Only the renewed initiative of our party organization helped improve the situation.

#### The Workers--The Other Part of the Problem

Recently protracted difficulties with the delivery of machinery for concreting have been easing up to some extent. Eng Ladislav Tischler, the deputy director for production of the Hydrostav in Bratislava, told the correspondents at a press conference in Bratislava: "We have now the machinery and equipment which used to be our excuse in the past." Thus, the external problems are mostly things of the past. Construction workers were given an opportunity to catch up with the shortfall. Because of the importance of the construction project they are directly compelled to make the best use of

every day and every worker, since this year's achievements will determine whether the first turbine in this multibillion project will be in operation on schedule. There is nothing much to discuss here. The tasks left undone earlier in the year should have been made up long ago, even on weekends and holidays. It is in the national interest that the concreting works continue uninterrupted. That was the approach to the elimination of delays adopted, for instance, by the construction workers of the Doprastav in Bratislava who are installing a bituminous-concrete seal on the slopes of the dam in Bratislava and in the inlet channel which is the other vital technological project in the waterwork system.

We asked the Hydrostav workers when they intended to start continuous concreting in the hydroelectric plant as well. They replied that it would not begin before the end of the third quarter. Should we accept such an answer? Absolutely not. After all, just take a look at the calendar; it is not hard to figure that more than ten Sundays will be lost before the end of that quarter, in the very best season for construction works. The weather will hardly be so clement to concrete workers at the end of the year. Why, then, does the Hydrostav, figuratively speaking, keep putting off until tomorrow what should be done today?

On the construction site we were told: "The Hydrostav enterprise does not have enough workers. No workers could be found so far for the third shift." Not so long ago the slow progress of works was caused by shortages of machinery; now it is due to the shortage of workers, even though the requirements of the work force had been known well in advance. The Hydrostav experts long ago projected that the completion of concreting works would call for about 450 iron workers and 280 carpenters. The enterprise made preparations for that task. Last year already we spoke with competent managers. In our article "Let Us Promptly Dispel the Clouds Over the Danube" (PRAVDA 9 July 1985) we mentioned: "Now Hydrostav is already looking for opportunities to hire them (the iron workers and carpenters). As (the management) stressed, it may not be possible to recruit such an army of skilled workers of hard-to-fill trades. Therefore, training of workers is one of the most important challenges of the day." One year has passed since then, but not much as been done to recruit more workers from the enterprise's internal resources.

According to the CSV of the CPSL, about 300 employees are working at present on the site, and only 60 are workers from the Hydrostav. The rest are construction workers from Poland.

We asked why the construction was so scantly staffed with appropriate workers from the enterprise itself. We were told that all of the new construction workers had been recruited by the enterprise, mostly from surrounding areas. Since this is a predominantly agricultural area, the enterprise in fact can not find any trained construction experts, concrete workers, carpenters, mechanics or iron workers.

To get a complete picture, we were informed about what and how the construction project has gained from recruitment. This year 190 workers were hired and 90 others have quit. This is not a great gain. How many workers will be needed to organize the necessary shiftwork in the construction project? The answer was forty. As a matter of fact, that is not too much, and yet, today that multibillion investment still does not have them. That is a fact; thus, the fulfillment of this year's tasks is in doubt. Problems never seem to end. It is obvious that the recruitment of workers will hardly be more successful if it focuses only on workers from the enterprise itself. For that reason the directorate of the Hydrostav enterprise in Bratislava also should provide more effective assistance to the construction project.

In the same way, it is desirable for the enterprise and its superior agencies to complete the revamping and to introduce expeditiously the system of material incentives in order to improve the quality of uniformly high daily outputs on the part of the concrete workers. Everybody should share the interest in incentives--the machinists in the mixing plant, the teamsters and the construction workers directly in the hydroelectric plant.

#### Party Officials and Economic Managers

Frantisek Stupka is the chief of the party group in the mixing plant. He says that the communists there know what to do. He stressed: "Each of them must set an example in machinery maintenance, conservation of energy and flawless running of operations of the mixing plant, and must be interested in excellent quality of the concrete mix." Of course, the words "mixing plant" do not adequately describe Comrade Stupka's workplace. A more accurate designation for it should be a highly automated industrial plant for production of concrete. It can produce as much as 240 cubic meters of concrete in one hour. Simple multiplication will suggest that its output should be 4,000 cubic meters of concrete in 20 hours. But some hidden resources still remain in the potential of this concrete factory. For example, during the first 12 days of August the highest daily output was 2,165 cubic meters, while on Saturday, 2 and 9 August, which were regular workdays on the construction site, the output was only 376 and 510 cubic meters respectively.

The output of Rotec, the transportation equipment for the concrete mix, which is the sore spot and the most troublesome mechanism at this time, depends on the capacity of the concrete factory. A party team led by Julius Saghy works in that particular key point. "I always stress the importance of personal example. In our workplace the communists must tackle, and have successfully tackled, the most challenging jobs. That was so much more necessary because we are understaffed--we need 6 additional concrete workers."

Despite the breakdown rate of the heavy-duty machinery, the weakest spot here is the groundwork done by the carpenters and iron workers, which continues to hamper the work with concrete and the use of heavy-duty equipment for concreting.

Therefore, the most important demand of the day calls for better management and coordinated procedures in all interested factories and organizations. The Hydrostav in Bratislava acts as the chief contractor of the construction project, but it has failed to provide proper conditions for smooth operation. Thus, the directorate of the enterprise must pay more attention to these problems.

The CSV of the CPSL is not satisfied with the current progress of work in the water project system. "Thus far its daily outputs can not guarantee that the plan will be fulfilled this year," says Alexander Dunai, the chairman of the CSV of the CPSL.

Under such circumstances it should be natural for the economic managers of the participating contractor enterprises to turn to the CSV of the CPSL with specific question, where and how could party organizations help.

But what is the actual situation?

"It is quite different. The CSV comes up with recommendations and instructions what should be done, how and where it should be done, to speed up the work," says Comrade Dunai.

It was said time and again that party officials should not replace the economic management. However, if the situation on the construction site is one in such a fix that the party officials are acting as the economic management, it is only because not all economic managers have complied to this day with demands that the works progress at a rate commensurate to the needs of the construction program.

#### Taking Advantage of Control Rights

Eng Marian Serecs is the chief manager of the construction project's central administration, a member of the CSV of the CPSL as well as instructor of the factory organization of the CPSL of the Hydrostav in Gabčíkovo. He believes "The thoroughness with which our party oversees the fulfillment of decisions deserves credit. It is best evident from special meetings of the CPSL factory committee." Why are they special?

It is understandable that today the fulfillment of economic tasks is at the center of attention of the party organization of the construction project. However, it should not eclipse the problem of internal party life, so the committee of the factory organization of the CPSL decided that it would discuss it at its special sessions. The last meeting of that kind took place on 22 July in an atmosphere of high challenges and determination. "Our committee made it known to many communists in leading economic posts that we were dissatisfied with the fulfillment of their tasks. We brought it to their attention that if they fail to put their business in order before the beginning of September, we shall apply harsher measures--party penalties. We are in danger that this year's tasks will be unfulfilled. I can say with assurance that it is in our power to finish the concreting program. However, the

current situation demands that we increase our force, utilize everybody's energy, and improve the cooperation between various centers," said Pavol Bartosik, the chairman of the factory organization of the CPSL in Hydrostav.

What interested us was how the economic managers accepted such an attitude. Do they regard it as a communist imperative, or do they think that the party is "hassling" them? "Many of them do understand that the process of operations in the construction project must be stepped up, but by the same token, they point out that they cannot affect everything from their position, even though the Hydrostav enterprise in Gabčíkovo is the chief contractor of the construction," Jozef Urbanec, the deputy chairman of the factory organization of the CPSL, told us.

We learned that the party committee is raising the challenge to economic managers; that is the true reflection of the problems with which the concreting program is struggling at present. The party is now focusing its attention on the way the plan is being fulfilled and who and how is meeting his tasks. After all, this fully conforms with the decision of the CPSL's all-construction conference and of the annual meeting of the factory organization of the CPSL in Hydrostav in Gabčíkovo which put successful completion of the concreting program in the foremost place.

Communist challenges and responsibility may, and must, play the key part in overcoming of current difficulties of the construction project. By the same token, it should be mentioned that it is not only the challenge of the communists in the construction project--because better conditions must be ensured on the enterprise level, so that outputs increase faster and the delay be eliminated in a more flexible way.

In its scope and technical challenge the water project system is an extraordinary construction design. Precisely because of its importance and impact it should in fact serve as a school of advanced experience and a place where to train the professional vanguard and politically hardened teams. Much has been done in the past years toward that goal. The aim at present is to upgrade the process of works on the construction to the level of the demands of our day, to keep in step with the challenges to this construction program from the 17th CPCZ Congress, the CPSL Congress, kraj conferences and other communist meetings. The thoughts and deeds of our economic managers must be changed in this direction and furthermore our party work should exploit the far from negligible hidden assets in this construction program.

9004/7051  
CSO: 2400/402

## PLANNING COMMISSION REVIEWS FOREIGN TRADE BARRIERS

Warsaw RYNKI ZAGRANICZNE in Polish No 86, 19 Jul 86 p 8

[Article by Marian Grzymek, "The Polish Foreign Trade: Barr... for Increased Export"]

[Text] Increased export is one of the main goals in the socioeconomic strategy for the development of our country; it will provide necessary imports, proper rate of growth for the industry and for the national income, and create conditions for debt servicing. One should ponder how this undoubtedly correct premise has been implemented in practice, and what the odds are it will be accomplished within the framework of the National Socioeconomic Plans for 1986-1990.

It is obvious that in the next 5-year period the intended dynamics of export can be achieved mainly thanks to manufactured goods, as even now our country has most limited capacities for supplying raw materials and production inputs. In order to assess how enterprises had prepared for carrying out their allotted tasks, the Planning Commission has analyzed the 1984 and 1985 export to Payment Zone II, checking 2,350 enterprises in the manufacturing industry. The research has indicated that in 1,060 enterprises the 1985 export has been significantly lower than in the previous year. It is a major problem, since those enterprises represent not less than 45 percent of all the exporters.

280 enterprises checked gave up export totally. They included some major suppliers: about 25 enterprises used to provide export in excess of 1 million per year. It is to be assumed that such exporters had indeed substantial reasons for cutting sales on foreign markets, their case therefore should raise no anxiety. More threatening is the fact that a considerable number of small suppliers gave up export, although they could have had no objective grounds for doing it. There were instead subjective factors, which must be eliminated as soon as possible. Hence it is important not only to prevent the fall of export by medium and small enterprises, but to activate them in this area.

The remaining 1,290 enterprises have achieved bigger exports; they included those 265 units which for the first time ever sold their products abroad. Within this group of enterprises the dynamics of export was very differentiated. In some cases the growth index exceeded 10 percent.

The analysis allows drawing both negative and positive conclusions. Obviously, negative occurrences have been tackled first. Without reduction, or even elimination, of export by over 1,000 enterprises, the foreign currency income would have been higher by some 450 million than the one accomplished--a most meaningful sum, given our payment strains. Enterprises were therefore approached separately, and many meetings and consultations were held, to learn the cause for such a state of affairs. The enterprises pointed out various factors, whose occurrence had slowed down the growth of export. The most frequent complaint, for instance, claimed that the plans had included too many targets, all of them correct and proper, and while export had been among many, it had never been the most important one.

Asked whether the ongoing 5-year period was indeed export-oriented, many enterprises replied in the negative, and pointed out too ineffective economic machineries and instruments. They claimed that the existing system favored weaker enterprises, whose share in export production was rather small.

The system is particularly unfavorable for major exporters, who sell abroad a significant share of their production. In their case achieving any further growth of export is most difficult, and therefore the exemptions granted for the growing rate of exports remained too small. Much higher exemptions were granted to those exporters, whose share of foreign sales was small, but whose rate of growth increased considerably. In their case the exemption represented a meaningful gain.

Another problem which limited export capacities stemmed, according to the enterprises, from shortages in material and technology supplies. Even though the quantities of material and products, the producers of final goods were able to buy from domestic production, have recently diminished export-oriented orders still had got no preferences.

Generally ignored were the regulations and governmental decrees concerning priority in supplying export production. Delays in implementation of orders for materials and parts has been stressed. Such a state of affairs not only delayed meeting export orders, but prevented flexible reaction to specific inquiries from [foreign] buyers. In addition, cooperation links have grown more lax, while the quality and promptness of supplies have diminished.

Cooperating enterprises generally demanded that their supplies should have been treated as export for purposes of tax exemption. Irregular supplies of materials bred insecurity and timidity in export decision making.

The system of foreign currency allotment was generally rated positively. One should stress that Foreign-Currency Allotment Accounts [ROD] were the most effective pro-export instruments, but as the bank liquidity of foreign currency funds kept deteriorating, the system began to get out of order. There is a serious danger that in the enterprises the RODs' impact as a stimulating factor, will wither.

The length of the cycle and the multi-layer character of decision making, as well as barriers in use of funds accumulated in RODs, were most severely criticized. As a result, too much time was being lost between the moment of tabling a motion for drawing such funds, and the day of its endorsement. If one adds the period needed by foreign suppliers to carry out orders, and the time needed to produce the goods, it will come out that the time limits for export-order implementation have been unacceptable from the point of view of trade relations. Hence the ensuing danger of loss of orders.

The producers were most critical of the activity of our foreign trade enterprises; some of them would therefore prefer to be allowed to engage in export activity on their own. Generally speaking, however, it can be said that there was no great interest in acquiring [an exporting] license. Enterprises still expect the foreign trade apparatus to get them in direct contact with buyers, to take over initiative as far as promotion activity is concerned, and to render them assistance in acquiring top technologies, modern production facilities, spare parts, even raw materials and production inputs in short supply.

Traditionally, such enterprises turned to the same specialized foreign trade units or commercial companies to act as an intermediary. Many producers have indicated that it was the producer who assumed all the risks and all the costs--starting with submission of tender and ending with fulfillment of contract--and not the foreign trade enterprises which charged high margins of profit, without sharing the risk of canvassing custom. The struggle to get favorable prices on foreign markets, not always successful, and the long cycle of carrying out import orders, have also been mentioned.

Talking about the conditions under which export targets were being achieved, many producers raised the issue in a broader perspective, and pointed out that failures in export were partly due to faulty technological equipment of plants; they posed the question of progressive decapitalization of our production assets. The technical state of machines and equipment had turned into another barrier which prevents growth of production and maintaining its satisfactory level of quality.

Export means keeping in touch with modern technology achievements; it should promote accumulation of means indispensable for technological development. At present, the funds acquired through export permit no development at all, not even reproduction of the productive equipment. Under the existing system, the foreign currency funds suffice only for purchase of spare parts and for providing those raw materials and inputs bought abroad which are absolutely needed for the ongoing production, but cannot be centrally funded. The problem has been even more complex in a situation when developed capitalist countries had introduced limits on flow of modern and progressive technologies.

Many producers have pointed out that improving our country's balance of payment could be accomplished not only through the growth of export, but

through increased anti-import production as well. Under the rules at present in force, this question has been totally lost out of sight. In case of many enterprises, the possibility to buy, for instance, some modern machine tools, high-productivity facilities, or control panels, might in consequence contribute to major saving of foreign currency.

To sum up the producers' opinions concerning the conditions for implementing export tasks, it cannot be truthfully said that their path is strewn with barriers and limitations only. But their claim should not be ignored, in particular since the external circumstances for export activity have become more difficult. The access to markets has been reduced, the demands concerning modernity and quality of products have gone up, the competition has become more acute, and protectionism has become more widespread. The domestic factors, therefore, should be shaped in a way which would favor undertaking export ventures, since experience has shown that much less effort is expended for production destined for the domestic market.

This year a lot has changed in the export situation compared to 1984 and 1985. The changes involved mainly broader scope of possibilities, of assigning part of funds acquired through exemptions to satisfy the needs of subcontractors and suppliers. A system of economic instruments which shape the process of export-oriented restructuralization is being introduced. Under this system those enterprises which undertake export-oriented investments may be substantially exempted from income tax and depreciation deduction. The Export Development Bank has been established, and its main purpose will be to initiate and promote export-oriented investments, as well as undertaking all kind of activities which favor export growth.

There is no doubt at present that economic tools and instruments which promote extension of exports should be steadily strengthened. The intention is to make this process of changes speedy enough, in order to create conditions for full implementation of the present 5-year period's foreign trade tasks.

12485/9190  
CSO: 2600/666

## BARRIERS TO THIRD WORLD TRADE DISCUSSED

Warsaw RYNKI ZAGRANICZNE in Polish No 95-96, 9-12 Aug 86 p 8

[Article by Tomasz Golebiowski, "The Polish Foreign Trade: Conditionalities of Industrial Cooperation with Developing Countries"]

[Text] The strategy for economic cooperation between Poland and abroad had assumed the need for intensified trade with developing countries as an important complement to economic links between our country and both socialist and capitalist highly developed countries. The scope, the dynamics, and the forms of cooperation with the Third World are heavily conditioned on the economic situation that obtains there.

It is common knowledge that economically those countries present an exceptionally differentiated community, but generally speaking they are marked out--albeit to a different degree--by some unfavorable trends: slowed down rate of national income growth, and deteriorating balance of payment. Hence certain changes in their economic policies, such as: limitation or suspension of implementation of some of their investment programs; reduced imports; pressure to buy more in other developing countries; increased share of bilateral transactions and barter, or compensation deals; linkage between supply of attractive goods and contract terms favorable for the developing country; delays or reduction of foreign debt repayments; tighter tender conditions; etc.

The Third World countries strongly stress the need for growing cooperation links with their partners in the economically higher developed countries. They regard industrial cooperation, among others, as a channel for influx of modern technology and investment supplies, a source for funding investment, and a way to acquire technical services. Industrial cooperation also favors stronger technical and economic links, because it promotes mutual dependence between partners, while modalities of accounting cooperation contracts (self-payment, compensation supplies) allow for a growing export with simultaneous change of its material structure. Such countries have therefore imposed proper legal and administrative standards, and use those economic instruments which promote cooperation ventures.

Difficulties Galore

The above mentioned negative factors which determine economic growth and foreign trade, appear prominently throughout most of those regions which are Poland's main trade partner. This has posed a major threat to growth, or even to maintaining the present level of export to that group of countries. This export, expressed in U.S. dollars, has stagnated over the recent years; 1984 and 1985 were even marked by a falling trend. In 1982 its value amounted to 1,207 million, in 1983--1,565, in 1984--1,448, and in 1985 to 1,207 million.

In addition, intensified cooperation with developing countries has been negatively affected by various internal factors, in particular by insufficient supply of goods and services for export; diminishing extent of complementariness of the economies of Poland and of Third World countries, which had made our export bid much less attractive; shoddy quality of goods offered; relatively high costs of export, caused by longer distances from many markets; "inflexible" terms of credits for export (including, among others, too short crediting periods and the need for first-class bank guarantees) which blunt our competitive edge in investment sales; complicated procedure for obtaining permits for linked transactions; as well as the modest possibility of making use of compensation deals.

In practice, the effectiveness of those instruments which motivate enterprises to undertake export to developing countries has been negligible.

In view of both the foreign and the domestic factors, it seems that no meaningful increase in sales to the developing countries might be possible in the immediate future without some modification of forms of cooperation, and an increased share of links described as industrial cooperation, including establishment of joint production ventures.

The lack of competitive trump cards, strong enough to allow Polish exporters to maintain or extend their market positions, makes flexibility necessary in order to comply better than before with our partners' demands and with terms of competition. Equally necessary is recourse to all kinds of reserves for increased export, derived from the participation of Polish enterprises in industrial cooperation.

Extended industrial cooperation between the developing countries and Polish exporters' competitors, signifies change in the structure and the direction of trade in those countries; in the long term, it presages further reduction of demand for Polish goods.

To set forth the prospects for growing industrial cooperation and for establishing a proper machinery for its stimulation, we have to find out the degree of interest the relevant Polish enterprises have for various forms of cooperation, and to determine the forms of our own input into joint ventures with partners from the developing countries.

#### The UNIDO Inquiry

Some empirical data, which in a way increase our knowledge in this area and at least partial verification of common wisdom, can be found thanks to

the results of an inquiry set up last fall by the Warsaw UNIDO office. 98 economic units have replied (Footnote 1. Those consisted of: 16 foreign-trade enterprises; 22 industrial enterprises, including 8 licensed; 19 construction enterprises, including 7 licensed; 28 designing offices, including 4 licensed; 16 research institutes and scientific and development centers, including 5 licensed.)

Most of the time the units polled declared a "high degree of interest" in the following forms of industrial cooperation:

1. expert opinion and technical cooperation	69.4 percent
2. subcontracting	46 percent
3. licensing	35 percent
4. supply of machines and equipment	32.7 percent
5. management consulting and training	26.5 percent

A relatively low percentage of units polled--a total of 19 percent--declared lively interest in undertaking joint ventures with the developing countries' partners in form of production--and trade companies. Not less significant were the preferred forms of their own input into joint ventures, set up as production--and trade companies:

1. sale of know-how and technical documentation	59 percent
2. consulting, partners' cadres training	56 percent
3. sale of licenses	40 percent
4. supply of machines and equipment	33 percent
5. designing	6 percent
6. technical export opinion (consulting)	4 percent
7. technical supervision, assembly	3 percent
8. cooperation in production	2 percent
9. purchase of foreign companies' shares	1 percent

As the rationale for interest in joint ventures on the developing countries' markets, the respondents most frequently indicated the chance to increase export and to facilitate market penetration, or the chance to keep a market by joining joint ventures. 15 percent of institutions polled had been inspired by such motives. Relatively less frequently mentioned were other causes: better exploration of foreign modes of operation; tighter links with foreign partners; prospects for more efficient use of their own capacities and cadres; broader scope of economic ventures thanks to concentration of means, higher effectiveness of export, easier funding of export deals, and possibility to acquire imported raw materials; as well as an opportunity to transfer Polish technologies.

#### Slight Interest in Joint Ventures

The singular character of those replies listing motives for interest in joint ventures, seems to confirm that the economic units polled did indeed have just a slight interest in entering joint ventures in the developing countries, and tended to ignore the various advantages the exporters might have acquired thanks to this form of cooperation. The assumption is

additionally confirmed by the quoted data concerning the forms of input the Polish party would prefer to bring into such joint ventures. They indicate how limited indeed the scope of desirable participation was, and how slight the expansiveness of our enterprises on the developing countries' markets.

The limited preparedness to engage in joint ventures in the Third World is related to the existing domestic and external barriers; the most significant among them were listed as follows:

1. lack of foreign-currency funds	36 percent
2. trade terms set up by partners	26 percent
3. high venture risk	24 percent
4. ignorance of foreign modes of operation	17 percent
5. inappropriate economic and technical systems of enterprise	8 percent

The chances for growing industrial cooperation with the developing countries were mainly linked to elimination of domestic barriers; to increased influx of necessary relevant information; and to improved system of motivating domestic enterprises.

#### The Foreign-Currency Barrier

A major domestic barrier stems from lack of foreign currency, which reduces the capacity for funding industrial cooperation. Given Poland's well known payment difficulties, this barrier cannot be eliminated at present. The possibility to set in motion variants capable of undermining this barrier should therefore be explored in depth.

First, Polish participation in contractual joint ventures, through input of the value of licenses, know-how, technical expert opinions, costs of training cadres, etc., that is to say, without foreign-currency cash involvement; in most developing countries rules give scope to such a solution.

Second, links related to the framework of industrial cooperation between Third World countries and partners from the highly developed countries (for instance, through subcontracting of construction or assembly jobs, as well as other technical services); this provides for limited foreign-currency involvement of the Polish partner and for reduced financial risk related to participation in such ventures, as well as for sidestepping the technological barrier.

Third, keeping in mind suggestions for establishing production and trade ventures with a minority participation of a Polish partner (between 15 and 30 percent); as a rule, Polish enterprises do not even conceive such variants, nor do they initiate negotiations with foreign partners.

#### Other Barriers

In addition, elimination of many administrative barriers, frequently caused by financial factors, would seem indicated. Revision of regulations on

crediting investment supplies and on safeguarding credits, should be reconsidered. Practical experience has shown that under the existing market conditions in the developing countries, the terms of payment offered become the conclusive factor in determining the suppliers' competitiveness.

Creating formal means of more expedient signing of barter deals, with additional safeguards of repayment through gradual supplying of investment goods, seems also advisable. Hence the need for more flexible regulations concerning commercial powers of such foreign-trade enterprises, engaged in importing investment supplies and market goods.

Simplifying administrative decision-making procedure also seems indicated, in order to allow enterprises to undertake joint ventures on the developing countries' markets, as well as to introduce a system of safeguards (insuring investors against non-commercial risks) and preferences, able to encourage Polish enterprises to get involved there in such a form.

In order to ensure inflow of information to such enterprises, capable of industrial cooperation with developing countries, the following measures seem necessary:

First, deeper analyses of investment demand in those countries, and research on regulations dealing with economic cooperation with foreign partners, at present in force in various countries. Second, more widespread use of information available in Poland, accessible through specialized UN agencies, such as the Warsaw UNIDO office, as a source of data on investment programs in the developing countries; as a channel for establishing direct links with investors, with organizations involved in industrial development, with banks and other financial institutions, etc. Third, providing domestic enterprises with information on Polish regulations which determine the principles of economic cooperation with the developing countries, in particular on those related to principles of crediting investment supplies, use of means in the treaty fund of the Ministry of Foreign Trade, and on financing production- and trade ventures in the developing countries.

Finally, as far as the system for stimulating domestic enterprises to cooperate economically with the Third World is concerned, permanent supervision of the effectiveness of instruments used for that purpose and their incessant correction are necessary; it seems that under the present domestic and foreign conditions, the stimulatory power of the existing system is rather negligible.

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## EXPORT TRENDS 'WEAK' IN FIRST HALF 1986

Warsaw RYNKI ZAGRANICZNE in Polish No 91, 31 Jul 86 p 8

[Article by Maciej Tekielski, "Polish Foreign Trade: Weak Export Dynamics in the First Half of 1986"]

[Text] As far as foreign trade results are concerned, the first half of this year could hardly be regarded as particularly successful. Its most typical trait has been weak export, accompanied by a very strong pressure to compensate shortages in domestic supplies by import.

In stable prices, export was lower by 2.7 percent while import not less than 7.6 percent higher than in the first half of 1985. Thus the dynamics of export was three times as weak as that of import. I consider that quoting the dynamics of foreign trade in zlotys and in current prices introduces confusion rather than cognitive advantages, and therefore I shall try to avoid it, because the changes in the rate of exchange between foreign currencies and zlotys constitute the single largest factor which determines the dynamics of trade. Compared to the same period last year, the devaluation index of zloty in relation to ruble amounted to some 14 percent, and to dollar approximately 19 percent.

#### Payment Zone I

The much stronger dynamics of trade with Payment Zone I is another typical trait of trade exchange in the first half of 1986.

The export, rated in rubles in current prices, has reached 4,752.8 million ruble and was 12.2 percent higher than a year earlier. In the same period import grew by 14.8 percent and reached 5,053.1 million ruble. Thus the negative trade balance amounted to some 300 million ruble, and became almost twice as high as a year earlier, when it had stood at 167 million. In our exchange with the USSR, the surplus of import over export was 530 million ruble, compared to 392 million 1 year earlier.

Price modifications were slightly more advantageous in export (+3.1 percent) than in import (+2.9 percent). This has produced a positive terms of trade index, namely 100.2.

On the other hand, in stable prices the growth of export equaled 8.8 percent, and of import 11.6 percent. The strongest growth occurred in consumption goods import (by 13.3 percent), a weaker one in investment supplies (6.7 percent) and in market goods (6.5 percent).

The target set up by the Central Annual Plan was missed by 297.2 million ruble in export, and by 278.9 million in import. The targets have been achieved in 47.5 and 47 percent, respectively.

#### Payment Zone II

As far as trade in convertible currencies was concerned, the growth turned out much weaker in export, which—if counted in current-price dollars—went up by 5.6 percent and amounted to 2,929.3 million. In the same period import rose by 12.8 percent, to 2,498.8 million. Thus the positive trade balance amounted to 430 million (including its growth in June alone by 190 million). One year earlier it equaled 559 million. The trade surplus amounts to just 27 percent of the positive balance. Which had been targeted for the end of the year to reach 1,500 million.

The higher value of exchange in convertible currencies has been mainly caused by the ongoing depreciation of the US dollar, compared to other capitalist countries currencies. In stable prices one would notice stagnation in trade with the second zone of payment, since export fell by 3 percent while import grew by 3.2 percent.

Dollar prices went up more steeply in import (+9.3 percent) than in export (+8.9 percent). The terms of trade, therefore, have deteriorated and amounted to 99.6.

Supply import went down by 2.8 percent, while import of investment goods rose by 7.1 percent, and import of market articles by 37 percent.

The degree of plan targets fulfillment was therefore obviously much higher in import (52 percent) than in export (45.6 percent). The degree of target fulfillment was particularly low in construction trade export (39.4 percent of the annual plan), and in export of electromechanical industry products (44.5 percent).

#### Arhythmicity

Talking about foreign-trade target fulfillment, one should point out its considerable arhythmicity, illustrated both by major differences between various quarterly periods (as a rule, in the fourth quarter, for instance, some 30 percent of the annual plan has been achieved, while in the first quarter—about 20 percent only), and by major differences between specific months. It concerns almost equally Payment I and II. In June 1986 annual targets were implemented as follows: export to the first zone of payment—11.7 percent, to the second—10 percent, while import—9.2 and 9.5 percent, respectively. In January, in comparison, the indicators amounted to 4.2 and 4.4 in export, to 5.2 and 5 percent in import.

## Geographical Structure

The higher dynamics of trade with Payment Zone I, which includes most of the socialist countries, considerably raised its share in our trade exchange: to no less than 55.8 percent in export (compared to 53.4 percent a year earlier), and to 61.4 percent in import (compared to 59.3 percent).

One should simultaneously note further fall in the share the developing countries had in our foreign trade--from 10.9 percent to 9.7 percent in export, and from 7.8 to 7.2 percent in import.

## Major Commodity Groups

In electromechanical industry products, there was a sharp increase in imports from the two payment zones (by 23.1 percent from the first, and by 17.6 percent from the second), accompanied by low dynamics of export (3.2 percent to the first zone, and 1.4 percent to the second payment zone).

In the fuel and power industry, our sales to the first zone of payment went up by 11.9 percent, and our purchases there by 6.5 percent. This has been caused by increased export of coal and import of natural gas, while the amount of crude oil imported was lower than a year earlier. The trade balance however remained negative. Export to the second zone of payment went down by 5.6 percent (coal mainly), while import even grew by 6.1 percent (crude and oil products).

As far as the metal industry is concerned, the value of our sales to the first zone of payment went up by 15.2 percent, while the value of purchases was reduced by 4.2 percent. Nonetheless, the negative balance of this trade increased. In trade with the second zone of payment export fell by 10.1 percent (copper, zinc, silver, and products), while import grew by 3.3 percent.

Sale of chemical goods to the first zone of payment increased by 9.2 percent (sulphur, cosmetics, pharmaceuticals), and import by 5.1 percent. The positive balance of trade in that group of commodities improved. Export to Payment Zone II grew slightly (by 0.5 percent), while purchases there fell by 8.2 percent over the same period of time.

As far as timber and paper industry products were concerned, export to Payment Zone I went up considerably by 19 percent (furniture, paper, cardboard), while import sharply fell by 15.4 percent (cellulose, viscose cellulose). Export to the second zone of payment rose by 0.4 percent, while import fell by 3.1 percent.

Export of light industry products to the first zone of payment went up by no less than 32.7 percent (mainly clothes and shoes), with slight increase of purchases (2.2 percent). Export to the second zone grew by 10.4 percent (mainly wool textiles), while import increased by 14.7 percent (cotton and textiles, as well as wool).

Agricultural export to the first payment zone increased by 13.4 percent, while purchases there fell by 27 percent. In the second zone the trends have been different: export fell by 14.6 percent, while import grew by 3.3 percent.

#### Services

In the first half of 1986 the value of exported services and scientific or technological achievements amounted to 92,500 million zloty, that is to say, 10 percent of trade export. About half of that took place in construction.

The value of import in this area--despite its growth by 47 percent--amounted in the first half of 1986 to just 8,100 million zloty.

This exchange, as far as both export and import are concerned, is divided more or less equally between the two payment zones.

#### Funding of Import

With regard to import funding, one should note reduced share of centrally allocated funds: from 70.5 to 67 percent, with related increase in use of funds owned by enterprises and organizations, mainly within the framework of Foreign-Currency Allotment Accounts [ROD].

In the first half of 1986 the number of industrial enterprises allowed to draw on their foreign currency accounts increased by 31 to reach 2,309 enterprises, while the number of new individual and institutional accounts grew by 13 (to 715).

The value of foreign currency funds amassed thanks to commodity export amounted to 452.5 million. 484 million were allocated for import, that is to say, that was the sum ROD owners put on order, but those orders were met in just 72.3 percent (orders worth 360 million were met). Even so, their share in import (14 percent) was higher than a year earlier (13.4 percent).

In 6 currency tenders, 20 bids were presented; out of them, 14 bidders were allowed to buy currency funds totaling 232,000. The significance of tender in funding import appears therefore to be purely symbolical.

To sum up, the results achieved by our foreign trade hardly allow for any comforting factors. The basic difficulty derives from our economy's weak export-oriented tendency, in particular with regard to the second zone of payment, where the limit of 6,000 million annually booms as an insurmountable barrier. Under such circumstances even our debt servicing becomes a major burden for the economy.

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## COMMUNIST SEES EXPORT PROBLEMS AS PERSISTING, 'DISTURBING'

Warsaw TRYBUNA LUDU in Polish 6 Aug 86 p 4

[Article by Andrzej Leszczynski, "The Truth About Export"]

[Text] The Main Statistical Office communique, which summed up the economic results of the first half of 1986, leaves no place for doubt: Poland's share in international trade exchange confirms neither to our needs nor capacities.

In the first half of 1986 we did not reach the indices of growth in [foreign] trade, set up by the 1986 Central Annual Plan, except for import from capitalist countries which increased beyond the plan [limits]. But export to this zone was not only lower than assumed, but also by 3 percent lower than in the first half of the previous year. Significantly, the dynamics of import, in exchange with both capitalist and socialist countries, has been lower than that of export.

The size of our export gives cause for anxiety. Unfortunately, that was no passing weakness but a more permanent malaise. It gives even more food for thought and reflection, since after all we have created quite a lot of machinery and stimuli to encourage export. One has to assume that the grounds for our miserable export offer consist of a complex syndrome of causes. We often approach export with suspicion, as something which might encroach upon our domestic market. In fact, it is just in order to be able to think about better retail supply that one has to acquire foreign currency which paves the way for foreign supply sources of market goods and raw materials.

Export does not impoverish; on the contrary, it can, and should, effectively increase our market affluence.

Let us reiterate: the situation is unsettling. In 1970 our share of world export had amounted to 1.1 percent, in mid-1980s it fell to 0.6 percent. Consequently, import has gone down in the same proportion. But we must sell even more, also in order to start gradual reduction of our debt obligations. Under the circumstances, it would be worthwhile to keep in mind another truth about export. Economic state security is less threatened by the size of our foreign debt than by being unable to balance it through export.

Many European countries, including some socialist ones, have a heavier than Poland per capita burden of foreign debts, but that is no development barrier for them, nor a source of tension in their economy. But in those countries the annual export exceeds as a rule the sum total of their foreign debts. In Poland each inhabitant carries a debt burden of \$791, while the export amounts to just \$318 per capita. Turning such an unfavorable proportion around is therefore a major economic task.

The export offer is an indication of economic capabilities, an evidence of country's technological culture.

That was the third truth. At present, one buys at world markets not just everything, but only highest quality goods. Utilitarian value, durability, reliability, and aesthetics--those are the trump cards which determine the outcome of competition. Hence the next conclusion.

Export is the driving force of economy, it affects the growth of technological and organizational requirements. It couples our economy to the world competition.

To provide for a significant share of export, climbing a high technology level is just not enough.

The size of export depends on learning to trade profitably, that is to say, on a spirit of enterprise, on entrepreneurship, on ability to meet squarely the needs of potential buyers.

Thus we just spelled a fifth truth, out of all those mentioned during the pre-Congress campaign and at the Tenth Congress.

The party program has squarely put all the bets on export. The Tenth Congress resolution proclaimed:

"One of the most important conditions for the development of our economy is the increase in its export capacity, as well as deeper economic integration with CEMA countries."

The resolution went on to precise the shape of our export-oriented strategy, which includes modified production structure, promotion of profitable export, establishment of financial instruments and institutions. Those are the binding decisions, valid for all party organizations and bodies.

All that is intended to clearly underline our presence at the international markets. To let us sell more in order to buy more, to safeguard our access to world technological models. And all that in order to promote economic growth.

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## APPLE EXPORT PROSPECTS FOR 1986

Warsaw RZECZPOSPOLITA in Polish 21 Aug 86 p 5

[Article by (T.B): "Prospects Good for Apple Exports: 400 Metric Tons of Summer Varieties to Czechoslovakia; Preparations for Shipments to the USSR; Contracts With Finland"]

[Text] (Own information) (C) This year's apple crop is good. For the last few years, besides, domestic production has been markedly exceeding consumption. Hence, apple exports are particularly to be desired.

As Leonard Swirkula, general director of the HORTEX Foreign Trade Enterprise, has informed this correspondent, as early as in July we exported the first shipment of apples (400 metric tons) to Czechoslovakia. They were the so-called summer varieties (Vista Bella and Jersey Mac). The shipments were trucked.

But the basis for exports is the fall and winter varieties. As of 11 August, shipments have begun to the USSR, our biggest customer. It is expected that by year end we will have shipped 90,000 metric tons there.

The main problem in exports to the USSR has been for years the limited capacity of the frontier transhipment station in Brzesc. This year the "cork" should be unplugged, because part of the shipments will be sent via the frontier crossing at Chryzanow near Bialystok and another part (about 30,000 metric tons) via a metal-and-sulfur line. In addition, it was agreed that the Soviet side would send to the environs of Warsaw 60 of its freightcars on adjustable trucks and Soviet experts would perform on-the-spot quality control.

These organizational measures should relieve by 60 percent the transshipment station at Brzesc. HORTEX assumes that this should make possible exports of 2,000 metric tons of apples daily. This concerns expediting shipments as rapidly as possible, because apples withstand minus temperatures poorly and the entire operation should be completed before the onset of the fall frosts.

Another major customer for fall and winter varieties is Czechoslovakia, where HORTEX plans to ship by year end 15,000 metric tons, exclusive of supplies for

company stores. But in this case the transport problem is not as great (part of the deliveries is trucked).

In Payments Area II [hard-currency zone] Finland is becoming our biggest importer owing to, among other things, the fact that in that country Poland benefits from customs preferences under a 1976 agreement for abolishing mutual trade barriers. HORTEX intends to sell 3,000-4,000 metric tons there. In addition, a quantity (200-300 metric tons) will be shipped to Great Britain.

On the other hand, this year we will not export apples for processing, because, following the installation of several new technological lines, it is now possible to process apples completely this year and subsequently to start exporting apple concentrate, which is in great demand on international markets.

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## COMPUTERS TO AID SHIPPING INDUSTRY

Warsaw RZECZPOSPOLITA in Polish 21 Aug 86 p 3

[Article by (chor): "Containerization and Computers" subtitled "At Polish Ocean Lines"]

[Text] Despite the absence in recent years of any major progress in the quantitative and qualitative development of the Polish line fleet, the rapid changes in favor of specialized line ships adapted to modern transport technologies have resulted in that the position of the PLO [Polish Ocean Lines] did not deteriorate markedly. Economic results indicate that the top performance was scored on the West Africa and West Europe routes as well as in ferry operations. By contrast, the American Lines Section, which last year scored best, and especially the CON-RO North American service, did not perform as well. The immediate cause of this situation is the decline in the exchange rate of the dollar and the directly related drastic decline in the exports of European countries to the United States, as well as the penetration of that route by the circumglobal services of independent shipowners operating huge container ships.

PLO is steadily developing its containerization system. Last year its container ships accounted for approximately 1.8 million metric tons of cargo transported, or nearly 35 percent of its entire cargo volume. The PLO's container pool, which at present amounts to more than 24,000 units, is being steadily renovated and expanded. Owing to the operation of PLO-owned tractors and trailers it is possible to offer to customers such as Czechoslovakia, Hungary, Austria, and Czechoslovakia, integrated land-and-sea shipments based on just one document, the bill of lading.

According to the General Director of the PLO Kazimierz Misiejuk, the container-processing system is to be perfected with the aid of, inter alia, computers before this year is over. This is a component element of measures serving to change the organizational structure by converting from the plant-association principle to complete cost-effective accounting at discrete plants. The first stage has been introduced as of 1 July this year and the second will be introduced on 1 January 1987. By then, current line connections will be analyzed from the standpoint of their profitability, performance of agents, and an attempt to allow for the specific features of ocean-line operation in the economic reform.

## WORKER SHIFTS FROM SOCIALIZED TO PRIVATE SECTOR STUDIED

Warsaw RZECZPOSPOLITA in Polish 12 Aug 86 p 3

[Article by Bozena Papiernik: "What is Gained and What Lost" subtitled "Switching to the Private Sector"]

[Text] Decisions relating to switching from a socialized employer to a private employer are causing many misunderstandings and even accusations. At the very least, they elicit interest because of their emotional coloring. Studies conducted under the direction of Docent Jozef Tulski of the Institute of Labor and Social Services, illustrating the assessments and opinions of those who switch from the socialized to the private sector of the economy, merit special attention. The more so as they prompt many reflections and comparisons of working conditions in both sectors.

The first question was, what kind of people decide to part from socialized employers and join private ones? According to a sample poll conducted in several regions of this country and comprising 250 persons (that is, being fairly representative), they are mostly persons in the prime of life, 26 to 45 years old, skilled workers (a majority are graduates of basic vocational schools and secondary technical schools, with about 20 percent having a higher educational background) with considerable experience (duration of previous work experience: 10 to 25 years).

The principal motive for changing employment is the possibility of getting higher earnings. In the private sector, wage criteria are more unambiguous and measurable. Actual job skills, as well as -- according to the survey -- organizational skills such as resourcefulness and initiative and the ability for intense effort, are decisive to earnings as well as to opportunities for promotion. Formal qualification, education, and -- this being noteworthy -- duration of previous work experience, count for less.

The survey uncovers certain nonfortuitous differences in labor relations in both sectors. In the socialized sector, the conscious assumption is that emoluments should include a substantial allowance for work seniority. The intent is to compensate the employee -- at least to some extent (an extent that is debatable) -- for the passage of years and the related loss or weakening of work performance. In particular, in certain occupations requiring

intensive effort the employee gets "used up" and becomes more prone to making mistakes.

The wage systems of private companies make little or no allowance for these social factors and this, as the survey shows, meets with criticism from employees, who view the situation in terms of the mentality they had acquired in the socialized sector.

Besides, in the light of the survey, the private sector is no oasis of felicity. According to many respondents, the disadvantages are the excessive intensity of work and the absence of Saturdays off. Quite a few respondents view the lack of adequate social security and poor interpersonal relations as major shortcomings. Regarding the poor interpersonal relations, the responses indicate that they are chiefly due to rivalry for the highest possible pay. Many also complain about the rigorous work discipline.

It can be stated that employees who left the socialized sector realize that their gains are offset by certain losses. These losses can be most tersely defined as the feeling of no longer being covered by social security. The in-plant health services provided by the socialized sector were especially highly viewed by the respondents, who now are deprived of them. Mention was also made of the greater chances for receiving, in the socialized sector, such benefits as paid vacations, summer camps for children, and a place in the nursery or preschool.

But when the balance of gain and loss is viewed as a whole, the gain predominates. Why? Not only for reasons of pay. The respondents value above all not only the earnings at their new workplaces but also the good organization of labor (this is stressed by one-third of the respondents) and the possibility to demonstrate one's independence and autonomy on the job.

1386  
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## CASE STUDY OF NEW JOB CERTIFICATION PROCESS

Warsaw ZYCIE WARSZAWY in Polish 13, 14 Aug 86

[Article by Andrzej Zmuda: "Make Haste Slowly...." subtitled "Certification Radom Style"]

[13 Aug 86 p 3]

[Text] Were we to judge from certain articles, the job certification drive is practically over, since it ensues from them that "At many enterprises it is nearing its end." Actually, however, it is largely over only at a few "pilot" enterprises at every ministry, and even there its completion is, as a rule, anticipated only toward year end.

Last April, during the national party-economic conference held in Radom, the RADOSKOR Radom Footwear Works, known over the last few years for its pioneering solutions to incentive systems, shared its experience. It was no accident that precisely RADOSKOR was one of the first to commence job certification, for it has considerable experience in streamlining the organization of labor, management, wage system, labor norms, etc.

As early as in the beginning of 1982 at RADOSKOR labor norms and workstation staffing were reviewed, with the findings used to develop a new pay system. The plant's wage rate schedule also was not introduced at once but only 2 years later.

And if now -- following the Second PZPR Central Committee Plenum -- it is being said that job certification is the starting point for a broad review of organizational structures in not only the economy but also the state, it is known that this procedure requires solid prior preparation before being applied. This is clearly evident precisely as exemplified by the experience of Radom enterprises, though not all of them. As I was told by the Economic Secretary of the Radom Voivodship PZPR Committee Wladzimierz Kocinski (the committee has been from the outset attending to this matter urgently and effectively), of the thirty-odd enterprises seven have made the most progress in this matter because these seven had already earlier been paying attention to streamlining the organization of production and wage systems.

## Not Only Rational Employment

So much is being read and heard about RADOSKOR that I will not once again describe the experience of that plant. But it is worth noting that, although it has now been streamlining its operations for the 5th year in a row, it always finds something more to improve and some additional effects. It has been doing very well in conserving materials, and it has also recorded a marked rise in productivity (if only it were receiving supplies adequately and on schedule....). Even so, it views job certification as yet another way of improving efficiency.

For what does job certification mean? (Some reply, "The master-key.") It is simply drawing a picture of the workstation from the standpoint of its facilities, raw materials, technological level, safety and hygiene of labor, and the skills of the worker tending it. But this is to be a dynamic, mobile picture rather than a still-life; this is to be an actualized film that takes into account changing conditions.

For, as I was told in Radom, were the certification to be regarded as a one-time effort rather than a continuing and systematically employed procedure, nothing would come of it. Hence precisely and at RADOSKOR new approaches to the organization of labor are continually uncovered and new possibilities for increasing labor productivity explored more deeply. This is all the more important considering that this plant produces consumer goods -- footwear models change often, and hence discrete workstations do not always operate under the same conditions of, e.g., raw materials, although the technology is the same.

Thus it would seem that at the uppers cutting department nearly every latent potential has already been utilized. It is in that department besides that the greatest savings have been achieved owing to skillful cutting patterns applied to leather to be cut for footwear. It turned out that a revision of the system for supplying raw materials to the personnel of that department could save a great deal of time. Individualized supply of raw materials to workstations and the attendant recordkeeping caused a 15-percent loss of work time. The conversion of the supply system (which can be handled by unskilled workers) from individual to team supply of principal workstations may result in reducing employment in the department by 20 persons and increasing productivity by 10 percent.

This may be one of the effects of the certification. Other effects may also be produced, such as the modernization of workstations, improvements in safety and hygiene of labor, and a readjustment of the place of the individual workstation within the organization of production, or even a recommendation that the workstation be abolished, etc.

For the streamlining of employment is not the sole purpose of the certification, contrary to what might sometimes be deduced from various discussions. Something much more is at stake: the optimal utilization of not only human resources but also the fixed capital of the enterprises. As known, the situation with that fixed capital is far from best in many industrial subsectors, and for various reasons at that. Sometimes also raw materials are

a problem, and how often poor state of equipment is at issue as well, let alone the level of the organization of labor.

#### The Point System and Recommendations

At the Radom conference Professor Janusz Tymowski recalled a significant instance. A plant in the environs of Warsaw had purchased a modern press in the FRG. There was no problem with materials, but nevertheless the productivity of the press was less than one-third of what it should have been. It turned out that poor organization of labor ("deserved" by the technical supervision) and poor work by the operators themselves were to blame.

Presumably, the certification drive will uncover similar instances in many another enterprise and lead to their elimination.

The certification is based on a point system: for each element of a particular number of points is credited, and their sum total represents the quality certificate of a given job at an enterprise, regardless of whether it is a blue- or a white-collar job. In the latter case quite a few interesting discoveries are certain to happen, e.g., about the manner in which the jobs of designers, technologists, accountants, secretaries, or even charwomen are utilized. For example, when the administrative department of a factory is poorly equipped with modern computational and typing facilities, let alone computers, this constitutes another reason for a low productivity of the factory's technical or administrative base.

In Radom, as ensues from my visits to several enterprises, people are perfectly aware of this, and in particular they are aware that the certification cannot be a mere arithmetical scoring of the points "won" by individual jobs but should be used to deduce conclusions about the organization of labor in departments and about the enterprise's management system and technical and investment policies, and sometimes also it can be used to determine the production profile.

An unusually important operation that must be performed concurrently with job certification is the so-called valuation of labor. Essentially, this means determining the proportions of the labor-intensiveness and advantages of discrete jobs at a given enterprise, but that is not all. The valuation procedure is to be applied on the scale of the entire economy with the object of comparing discrete occupations, duties, etc.

But while the certification method does not elicit any major doubts at enterprises, the valuation method does. This concerns in particular the question of whether this method is to be uniformly applied to the entire economy and industry or whether it should be merely used as an ancillary instrument for developing wage systems at a given enterprise. Interesting discussion on this topic took place within a taskforce of the Commission for the Economic Reform. I exchanged views on this subject in Radom.

But this is the topic of my next article, which relates a visit to the Radom Telephone Works and the ZRMB Construction Mechanization Works.

[Text] In the article "Make Haste Slowly" I described (ZYCIE WARSZAWY 13 Aug 86) how job certification is handled in Radom. In that region the first experience has already been gained (at RADOSKOR Footwear Works), and it shows that the whole thing has to be prepared solidly and without improvising. And although the certification itself is to be the starting point for streamlining the organization of labor and utilizing human resources and facilities efficiently, it also has to have some foundations under it. Meaning, above all, knowledge of not only how to go about it but also of the economic and organizational status of the enterprise. It is no accident that at RADOSKOR the wage rate schedule became the foundation for this project, along with measures relating to the application of a plant wage incentive system.

The Economic Director of the Radom Telephone Works (WRT) Jan Stopa rather contentedly showed me a thick study of the wage rate schedule at the WRT. It took 4 years to prepare and one year to discuss, but now the plant has an excellent foundation for carrying out job certification as well as for the so-called valuation of labor.

Director Stopa said, "All this affords a great opportunity for finally ranking correctly occupations and their social importance. There will be no order at this enterprise unless we bring about a differentiation of wages depending on the skills and suitability of personnel -- and not just at this enterprise at that."

This is so indeed, for we also are dealing with a not too good ranking of occupations on the scale of entire regions, industrial subsectors, and the entire economy, rather than of just one plant alone. We like to compare our pay with that of others, with the nationwide average, etc. But who has ever in our country made a sensible attempt to determine proper wage relations? Construction workers envy miners, and miners in their turn claim that they are underappreciated. Metalworkers and trade employees continually complain about their low ranking, socially and in terms of wages.

And yet, wages for the same occupations and jobs vary depending on the ministry concerned rather than on job performance. It thus often happens that an inefficient secretary of a coal mine director earns much more than a top expert at a button factory.

#### What is UMEWAP'85?

The Institute of Labor and Social Services has conceived UMEWAP'85, or the Universal Method for the Valuation of Labor, which is recommended for use concurrently with job certification, since it is to be an important element of wage policy in the next few years.

UMEWAP has elicited lively discussion at the Taskforce on Enterprises under the Reform Commission, as described in the "Reform" Supplement to RZECZPOSPOLITA of 24 July. The issue was whether this was to be a universal model procedure or merely an ancillary instrument at enterprises. UMEWAP is based not on the evaluation of job performance but on the evaluation of jobs

from the standpoint of the requirements they pose to employees. In other words, points are credited to a given workstation depending on many factors composing its servicing (skills required, arduousness of labor, responsibility, etc.).

The authors of UMEWAP believe that it is thus possible to determine wage proportions on the scale of the individual enterprises as well as on the regional and inter-subsector scale, etc. When discussing UMEWAP, however, enterprise directors voiced apprehensions that it would make that valuation more rigid by introducing a kind of "uravnilevka" (Russian for egalitarianism). Because it would not be good if, say, lathe operators were to get the same pay everywhere regardless of the performance of the individual enterprise. Then also there are the ordinary laws of the labor market in individual regions to be considered....

Jerzy Pacuski of the Ministry of Labor and Wages explained, however, that the points to be credited will not everywhere have the same value in zloty, because differentiation is unavoidable. What matters is that allowance be made for the proper proportions among subsectors of industry as well as within the enterprises themselves.

#### The Director and the Cloakroom Attendant

At the ZREMB Construction Mechanization Plant in Radom I familiarized myself with the first steps toward the valuation of labor, taken concurrently with the whole of the preparations for the job certification.

The job flowchart lists 18 criteria for a given job, criteria such as required vocational training, creative thinking, dexterity, responsibility for decisions, leadership. Points also are calculated for monotony, material environment of work, accident risk, etc. Under UMEWAP'85 the maximum number of points is 590.

At the Radom ZREMB I was shown a sample job flowchart for the job of repair-grinding machine operator. It was valued at 126 points. Below are the sample numbers of points for discrete criteria: secondary or vocational training, 15 points; job experience, 30 points; creative thinking and dexterity, 10 points each. No points at all were awarded for such criteria as responsibility for directing other people, external contacts, safety of other persons, job monotony, and mental burden owing to a low prestige of the occupation. Responsibility for the course and effects of work was awarded 10 points, but responsibility for decisions only 1 point.

How do those 126 points for the grinding machine operator rank in the hierarchy of ZREMB as a whole? The highest number of points, 342, was awarded to the position of general director and the lowest, 51, to that of the cloakroom attendant.

For comparison, below are other examples I jotted down: chief bookkeeper, 252 points; designer, 142 points; typist, 105 points; cashier, 95 points; milling-machine operator, 91 points; quality controller, 101 points; charwoman, 56 points.

I asked the Director for Production Affairs Stefan Biaszczyk what practical conclusions could be drawn from this valuation.

[He answered,] "For the present this is a project which will be widely discussed immediately after the vacation period, together with proposals relating to job certification."

And what about wage relations? The cloakroom attendant, the lowest in the table, earns about 10,000 zloty [monthly]. Meaning that the director should be paid some 70,000 zloty monthly for his work! Clearly, he is not getting paid that kind of money, for his salary is determined by the parent agency. But all the same, will there ever come a time when a director's pay will be substantial not only in Polonia-owned companies with their legendary salaries? Perhaps this will be finally brought about by a finalized status of the director?

For the time being, at the Radom ZREMB a man with the sonorous occupational name of "welder of responsible seams" (163 points according to UMEWAP) is paid more than one-half as much as the chief of the enterprise (342 points).

It follows that for the time being the valuation of labor merely provides much food for thought. But, I believe, this must lead to certain practical conclusions as regards wages as well. I think that it will be difficult to determine the proportions among, e.g., directors of enterprises within different industrial subsectors. For of a certainty the head of a large metallurgical combine should earn more than the director of a small mine. But most often the situation is reversed. But then in such cases the valuation has probably to be performed by the parent agencies or by the ministry of labor and wages.

#### The System, Not Action

It may be expected that both job certification and the valuation of labor will not become art for art's sake. This is expected by my Radom collocutors, beginning with the voivodship party committee secretary and ending with enterprise employees.

The point system is an interesting device, but it is merely an ancillary instrument for an improved utilization of human resources, machinery, equipment, and raw and other materials, or, to put it briefly, for achieving improved economic results and exploiting the latent potential of the economy.

This affords an excellent opportunity for discussing not only organization and economics but also the social aspect of all these studies, conducted for the first time on such a scale in this country. What then is the most lively topic of discussion at our plants and in our homes? Mostly, wages, and that not always from the standpoint of what one can do in order to earn more. How often (perhaps too often!) it is being said that we are "undervalued," that others earn more than we.... The certification and valuation of labor can provide a strong impetus for changing appraisals and attitudes. On condition that they do not culminate in a one-time action but remain a continually active system for management, organization, and incentives.

I was gratified to note that all this is perfectly understood in Radom, where this whole issue is being approached with great deliberation, in a planned manner, and without excessive haste. Hence also, I was invited to return at year end, at the earliest, in order to familiarize myself with the first effects of this campaign.

1386

CSO: 2600/687

**NEW OIL SOURCE POTENTIAL GAUGED**

Warsaw RZECZPOSPOLITA in Polish 21 Aug 86 p 5

**("Crude Petroleum From Jeniniec is Flowing Into Tanks"--PAP report)**

(Text) (C) Public opinion is interested in a report on the discovery of a crude petroleum deposit near the village of Krzyszczynka, Gorzow Voivodship. Although it is difficult at present to estimate the size of that deposit, the Director of the Department of Geology, Crude Petroleum and Gas at the Ministry of Mining and Power Industry Zbigniew Korab told the PAP reporter that it could not be expected to be very large.

The structure of this deposit, which was examined with the aid of seismic surveys, indicates that we can develop it on an industrial scale. But its surface area is small and comparable to that of other deposits discovered earlier in the region of Zielona Gora.

The crude petroleum was discovered as a result of routine borehole drillings conducted in Gorzow Voivodship. Previous drillings in that region uncovered gas with a high content of nitrogen and toxic hydrogen sulfide, as well as a small quantity of methane, and, in the region of Sulejcin, small deposits of crude petroleum with hydrogen sulfide that are not suitable for industrial development. The discovery of the present deposit, which was named Jeniniec, resulted from successive drillings in that region. The crude petroleum from that well is already being collected into tanks.

The presence of crude petroleum in the so-called core (the extracted rock) was found at a depth of 2,900 meters. It began to mix with the drilling fluid and flow upward under a pressure twice as high as hydrostatic, that is, comparable to that happening 2 years ago in Karlin.

Altogether, although the last word from geologists is yet to be said, the discovery at Jeniniec will certainly not make our country another Kuwait....

1386

CSO: 2600:684

## BRIEFS

COOPERATION WITH JAPAN--(PAP)--(C) On 25 [Aug 86] Vice Chairman of the Polish Chamber of Foreign Trade (PIEZ) Jerzy Szopa met with Chairman of the Japanese Organization for Foreign Trade (JETRO) Shiro Miyamoto. Relations between Polish and Japanese enterprises were reviewed. It was stressed that they have been strengthened by, among other things, last year's exhibition of Polish export goods in Tokyo, as well as by the activities of the Poland-Japan and Japan-Poland economic committees. Hope was expressed for closer cooperation between JETRO and PIZ, inter alia during the next Poznan International Trade Fair. This cooperation could facilitate for the Polish side adapting its offers to the requirements of the Japanese market. [Text] [Warsaw RZECZPOSPOLITA in Polish 26 Aug 86 p 2] 1386

STEELWORK TO PRC--(PAP)--(P) This year the People's Republic of China has appeared on the map of the extensive foreign contacts of Torun's industrial plants. The first to commence export cooperation with that country was the MERINOTEX Torun Carding Plant. Now the METALCHEM Chemical Machinery Works has joined in that cooperation. METALCHEM established contact with the PRC quite unexpectedly and in an unplanned manner. It has just completed implementing the first part of an order for structural steel components; by the end of this year they are to reach about 800 metric tons in volume. This contract, implemented as an additional task, will enable the plant to increase its export volume by more than 100 percent. [Text] [Warsaw ZYCIE WARSZAWY in Polish 15 Aug 86 p 3] 1386

USSR IMPORT TRANSSHIPMENT--(PAP)--(P) A good pace of transloading operations is being maintained at the "dry port" of the Polish State Railroads in Malaszewice, Bialsko-Podlaska Voivodship. Each day train crews are transloading 16,000-17,000 metric tons of goods and raw materials imported from the Land of the Soviets for the needs of our economy as well as for consignees in West Europe. At present the shipments are mostly open-hearth steel, motor oils, mineral fertilizers, coke, and newsprint. In addition, 2,000-2,500 containers with washing machines, refrigerators, and TV sets are transloaded daily. Since the beginning of this year the railroaders and workers at the "dry port" of the Polish State Railroads in Malaszewice have transloaded 3.5 million metric tons of goods, i.e., 0.5 million metric tons more than last year. [Text] [Warsaw ZYCIE WARSZAWY in Polish 11 Aug 86 p 1] 1386

USSR TRADE VIA 'DRY PORT'—(PAP)—(P) More than 2 million metric tons of goods traded between Poland and the Soviet Union were transloaded this year by the railroaders of the "dry port" of Dorohusk, Chelm Voivodship. The Dorohusk crews took over from Soviet railroaders 1,264,000 tons of goods for the needs of the Polish economy, while at the same time forwarding 862,000 tons of goods to the Soviet partner. This year so far our country received via Dorohusk more than 240,000 metric tons of liquid fuels, approximately 640,000 metric tons of potash, 170,000 metric tons of lumber, and 4,500 metric tons of grain. In addition, more than 200,000 tons of transit lumber were received. The Polish goods forwarded to the USSR via Dorohusk consisted of 700,000 metric tons of coal, nearly 140,000 metric tons of cement, 4,500 metric tons of carbide, and delivery vans and agricultural machinery weighing altogether about 10,000 metric tons. On Sunday 24 [Aug 86] the transloading schedule at Dorohusk provided for the transshipment of an additional more than 5,000 metric tons of goods. [Text] [Warsaw ZYCIE WARSZAWY in Polish 25 Aug 86 p 1] 1386

2600/684

## CS MODEL 83 PISTOL DETAILS DISCUSSED

Prague ATOM in Czech No 8, 1986 pp 8-9

[Article by Eng Jiri Fenclo: "World-Class Weapon"]

[Text] At the end of 1983 serial production began of the new Czechoslovak pistol designated CZ 033 model 83, manufactured by Agrozet Uhersky Brod (CZ is the traditional designation of Ceska Zbrojovka (Czech Armaments Plant)). The weapon is produced in the conventional caliber of the Browning 7.65 mm and in a larger caliber for the 9 mm Kurz cartridge.

The weapon's modern design meets all the requirements of a high-quality product. The pistol is highly reliable, effective, and accurate; it has a large-capacity magazine and a double-action trigger mechanism; and it is set up for firing with both the right and left hand. It is designed, like the earlier CZ models 50 and 70, for both service and defense purposes. It provides accurate firing and reliable impact on the target at distances of up to 50 meters and is sighted in at a distance of 25 meters.

It is the work of designers Augustin Necas, Eng Strouhal, and Eng Mucha and the gunsmiths of the developmental workshops of Stanislav Strizik. Its design is covered by six Czechoslovak patents; three are the work of A. Necas. This designer also came up with the weapon's basic design, which was completed aesthetically by the designer Eng arch Crhak.

The functioning of an automatic weapon is based on utilization of the principle of the force made by the shot on a non-locking, movable slide. The barrel is cast in the frame of the pistol. The traditionally-shaped slide has an extractor and an oval ejection opening on the right side. In the rear portion it is held by slanting grooves. The fixed front sight and rear sight adjustable for windage in a prismatic shape are similar to the CZ model 75. The functional surface of the front sight is in relief and painted red. The edges of the rectangular cutout of the rear sight are similarly highlighted.



The frame of the weapon is striking in the sharply slanting area in front of the trigger guard. The trigger guard has been made larger so that the pistol can be fired even when gloves are worn. At the same time, the enlarged trigger guard is also supposed to make it easier to hold the weapon with the other hand when firing with both hands. The handle is somewhat sturdier and longer than that of previous models in order to hold the large-capacity magazine. The handles dimensions are well chosen and make it possible to hold the weapon comfortably. The magazine is a two-row box type with a single-row feed. The capacity of the magazine for 7.65 mm rounds is 15 and 12 rounds for 9 mm. Control ports in the magazine cover indicate 5, 10, and 15 rounds for the 7.65 mm caliber and 4, 8, and 12 cartridges for the 9 mm caliber. Plastic grips covering both sides of the handle have molded raised rests for the thumb and index finger of the shooting hand. The operating elements are provided on both sides of the pistol frame so that the weapon can be handled equally well with either the right or left hand.



The pistol has a hammer with a raised, grooved spur for the thumb and an extended handle projection. The trigger mechanism is double-action with a very smooth pull. The safety, which is turned upward into the safety position with the thumb, secures the hammer catch (and blocks the hammer), the trigger, and the slide. The pistol can be secured with this safety only when the hammer is back. In order for it to be ready to fire immediately (with a round in the chamber of the barrel), one puts the thumb on the spur of the cocked hammer, pulls it somewhat back, and still holding it with the thumb, presses the trigger and lets the hammer gently down forward. In this readiness position, the pistol is in fact not secured against firing by the manual safety, but it is safe for routine handling (the hammer is secured by a tooth against striking the firing pin) while still ready for immediate firing. All that is needed is to pull the trigger with greater force over a longer path than normal. A special safety fitting into a selector in the right bottom section of the slide secures the weapon against firing with the slide not completely closed.

After firing the last round, the slide is caught in the rear position by the slide catch. After pressing the magazine catch, the empty magazine is removed and a new, full one inserted. By pressing the slide catch downward, the slide is released from the rear position forward and it moves the first round from the magazine into the barrel chamber. Instead of depressing the slide catch, it is also possible to push the slide slightly to the rear and release it with one's free hand. The weapon, ready to fire, can be fired with light pressure on the trigger. The pistol is taken apart as follows: by depressing the magazine catch from the left or right side of the weapon, it is released and we remove the magazine. A pull on the front part of the trigger guard forward and downward tilts out the trigger guard. The slide is pulled backward to the stop and its rear portion is tilted upward. It is then possible to remove the slide forward from the weapon. The return spring is easily removed from the slide. Putting the pistol back together is done in reverse order. If the trigger guard is not closed into position, it is not possible to insert the magazine fully into the weapon.



In the basic model the pistol is finished with black plastic grips with rests for the fingers and cross-hatching. The bottom of the magazine is made of the same plastic. The gun is marked CZ 033 Cal. 7.65MM MOD. 83. The numbering is a six-digit serial number starting with 000001. There is a tradition of producing guns with various surface modifications, with wooden grips, and in luxury models. The production of a classic "Combat" model (probably in a larger caliber for the 9 mm Kurz cartridge) will pose no problems.

In comparison with its predecessors the CZ mod.50 and 70, which have practically the same capabilities as this model, except for the capacity of the magazine and a model in a larger caliber, the new gun has the following useful features. In particular, these are the capability of being fired using either the right or left hand without any necessary modifications; a better balance point for the weapon; a change in the angle of the barrel with the handle and a resulting better grip on the gun; increased accuracy (which is related to the two previous points); a smoother trigger pull; and a more effective ergonomic design in the shape and concept.

One can, perhaps, point out only the following minor shortcomings. The slide catch, in contrast to the other operating elements, can be operated only from one side (the left) and the construction is quite complex (the weapon consists of 133 parts). There is, of course, a question whether this last point can be considered a shortcoming since every product must necessarily get more complex with increasing technical improvements and increased safety.



With the CZ mod. 83 pistol the Czechoslovak arms industry has enriched the world market with a new defense and service weapon of the highest quality, fully comparable with the guns of the famous armament companies (for example, the Browning 140 DA, the Beretta Mod. 81, etc.) and even better in some aspects.

Technical date of the weapon:

Caliber: (mm)	7.65	9
Cartridge: (mm)	7.65	9 Kurz
Overall gun length: (mm)	172	172
Barrel length: (mm)	96	96
Sight length: (mm)	126	126
Height of gun: (mm)	127	127
Thickness of gun: (mm)	36	36
Weight with empty magazine: (g)	750	800
Weight of empty magazine: (g)	cca 65	cca 65
Number of rounds in magazine:	15	12
Weight of cartridge: (g)	8.03	9.68
Number of grooves in barrel:	6	6
Advance of lands in barrel: (mm)	250	250
$V_{12.5m}$ :	$310 \text{ m.s}^{-1}$	$290 \text{ m.s}^{-1}$
(depending on cartridge used)		
$E_0$ :	240 J	250 J
Penetration of pine at 50 m:	cca 110 mm	cca 95 mm

6285/12948

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**JAN MASARYK LAUDED AS PRO-SOVIET POLITICIAN**

Prague TRIBUNA in Czech 10 Sep 86 pp 8-9

[Article by Zdenek Vesely: "Jan Masaryk—Politician and Diplomat"]

[Text] On 14 September 1986 a century will have passed since the birth of Jan Masaryk, one of the prominent Czechoslovak diplomats in bourgeois Czechoslovakia before [the] Munich [Pact] and one of the politicians of the new Czechoslovakia which came to life during World War II and after national liberation.

He was predestined for his career by his class and family background, as the son of T. G. Masaryk, the bourgeois Czech politician, later the leader of the bourgeois struggle for independence waged abroad during World War I, and finally the first president of the republic.

In 1919 [Jan Masaryk] launched his diplomatic career as chargé d'affaires of the Czechoslovak embassy in Washington. In 1925 he was appointed Czechoslovakia's ambassador to Great Britain. He served more than 13 years in that office and thus he was able to become thoroughly and intimately acquainted with the methods of foreign policy and behind-the-scene dealings of a leading imperialist superpower. With increasing anxiety and unconcealed disapproval he witnessed the changes in the attitude of British foreign policy toward Germany after the ascent of Hitler's fascist dictatorship in 1933.

At that time it was becoming increasingly obvious that British policy under a conservative leadership was engaged in an all-out effort to reach an agreement and to pacify Nazi Germany and fascist Italy in which it saw an important and effective weapon in the struggle against revolution and against the first socialist state in the world, the USSR. It was becoming more and more discernible that the British government was ready to sacrifice even the integrity and sovereignty of the Czechoslovak Republic in the interest of such efforts. A[nthony] Eden, British foreign minister, emphatically recommended to Ambassador Masaryk that the Czechoslovak government accept enormous concessions and give advantages to the German minority, which was becoming increasingly controlled by followers of [Konrad] Heinlein.

In 1937, particularly after Neville Chamberlain assumed the leadership of the conservative government, British policy began quite openly to support demands

against Czechoslovakia made by the Nazis and their fifth column. Masaryk decidedly rejected the policy of appeasement and tried to persuade Chamberlain and other members of his government to consider the potentially tragic consequences of such malignant policies; he even requested an audience with King George VI to discuss these issues.

Masaryk very vehemently and "undiplomatically" opposed Chamberlain's trips to meet Hitler during the crisis in September 1938; he said that the British premier was acting like a errand boy for the murderer and brigand Hitler. The policies of the British government and of its ally, the French government, then resulted in the tragic and disgraceful Munich ultimatum to the Czechoslovak Republic. That was a triumph for Hitler's expansionism and the immediate beginning of Czechoslovakia's catastrophe and above all, the harbinger of World War II. At that time the Czechoslovak bourgeois government passively and timidly capitulated and rejected the only unrestricted offer of help to defend the state from the USSR. Jan Masaryk reacted to such bankruptcy of bourgeois policy by repudiating Munich; soon after that he left his diplomatic post.

After the outbreak of World War II he wholeheartedly cooperated in London in organizing the anti-fascist bourgeois center for the struggle for independence, which E[dward] Benes represented. In July 1940 he was appointed foreign minister of the Czechoslovak government in exile in London. He served in that office all through the existence of that government.

During the war years Masaryk's political activity included his radio programs broadcast from London; their singular, witty and optimistic sallies against Hitler and his usurpers brought encouragement to our people during the rough times of [Nazi] occupation.

Following the attack against the USSR by Hitler's hordes the bourgeois struggle for independence began gradually to recognize that a qualitatively new era was dawning and saw that the entry of the most resolute foe of fascism--the USSR--into the war would fundamentally affect also the liberation of Czechoslovakia. The USSR, which had never accepted the "Munich ultimatum," was the first state to recognize the Czechoslovak government in exile. Consequently and as a result of the USSR's initiative, Czechoslovakia and the USSR concluded a treaty concerning their alliance in the war against fascist Germany, which was signed in London on 18 July 1941 by Jan Masaryk and the USSR ambassador to Great Britain, Ivan Maisky.

The success of the USSR--which had to bear the greatest burden of war--led to the decisive turn in the battle. Its authority in the anti-Hitler coalition forced the Czechoslovak government in exile to sign a treaty with the USSR in December 1943. This agreement provided a vital guarantee of security and independence for the new Czechoslovakia which was then being reborn. In conjunction with the signing of the treaty E. Benes and the CPCZ leaders in Moscow, led by Klement Gottwald, held in Moscow salient discussions on intensification of the struggle for liberation and on other issues. Jan

Masaryk welcomed and supported the signing of the alliance treaty and the negotiations. (He himself was not present in Moscow at that time because he was in the USA participating in preparations for the UNRRA program.)

In the last months of the war conflagration Czechoslovakia's liberation also advanced. In March 1945, Masaryk, President Benes and other leaders of the government in exile arrived in Moscow where upon the initiative of the CPCZ leadership, representatives of the political parties discussed the organization of the first government--the National Front of Czechs and Slovaks--and its program. Jan Masaryk, who at that time was discussing in Moscow issues of foreign policy with Soviet leaders, was proposed for the office of foreign minister. He traveled to London and then to San Francisco to attend the founding conference of the United Nations. He deeply regretted that he was unable to take part in the festivities on the occasion of his appointment as minister and of the declaration of the government's program in the liberated city of Kosice in the beginning of April.

The Munich agreement, the occupation, all that led to the outbreak of world war and its consequences, the attitude of the Soviet government and that of the governments of the bourgeois countries impressed Jan Masaryk as a profound experience and an unforgettable lesson in life and politics. He realized where the bourgeois and imperialists policies and [our] alliance with the Western imperialist superpowers had brought our republic; he became aware of the great power and importance of the masses of people. Despite his class background he keenly recognized the foremost importance of our alliance with the USSR for Czechoslovakia's security and independence, and became its dedicated advocate.

In his address to a mass demonstration assembled in November 1945 on the occasion of the 28th anniversary of the Great Socialist October Revolution he underscored: "Soviet peace means Czechoslovak peace and vice versa . . . There is no other state in the world where love, loyalty and allegiance to the USSR are more profound, more constant and more justified. Our cooperation with the USSR is the foundation of our foreign policy which I proudly support."

At international forums, whether in the United Nations or during his frequent trips and meetings abroad, he forcefully insisted that the democratic principles of peaceful cooperation be implemented in the world. He was sadly disappointed by the disintegration of the anti-Hitler coalition and by the fact that the Western superpowers, in glaring contradiction to the Yalta and Potsdam agreements, prevented the establishment of a unified democratic and demilitarized Germany and inaugurated the era of "cold war."

As foreign minister first in the government of [Zdenek] Fierlinger, then of [Klement] Gottwald, Masaryk always acted in conformity with the programs of his government. He promoted constructive cooperation of all factions of the National Front in a situation where on the one hand, the communists and their allies and on the other hand, the anti-communist bloc, which was being organized at that time, were driven increasingly apart by their conflicting

views on the further development of people's democracy. In the government and in public he was well liked because of his modesty and lack of pretension, which made him one of the popular politicians.

During the days of February 1948, when the government and its policies were facing a crisis, he reaffirmed his attitude to building the new Czechoslovak people's democracy. Reactionary politicians were confident that he would join them, tender his resignation and get actively involved in breaking up Gottwald's government. However, Jan Masaryk took a completely different stand. He joined the one-hour general strike on 24 February and not only did he fail to resign, but he readily accepted Gottwald's offer that he stay on as foreign minister in the new government of the regenerated National Front. He himself very sharply and in no uncertain terms condemned at that time the resignation and actions of the reactionary ministers, and peremptorily opted for the side of the people and progress.

All that earned him vicious slander both from the West and from Czechoslovak reactionaries. Unable to come to grips with the merciless psychological pressure, he ended his life on 10 March 1948. To this day his tragic death is being exploited by anticomunist politics and propaganda for unjustified attacks against the CPCZ.

Jan Masaryk was an outstanding personality of Czechoslovak politics. Although his life was full of contradictions, at critical moments, when the fate of our country was being decided, he displayed a high degree of responsibility to his nation and to his state, and he cast his lot with the people.

9004/13104  
CSO: 2400/412

## PARTY ACTIVITIES CALENDAR 4-17 AUGUST 1986

Warsaw ZYCIE PARTII in Polish No 18, 27 Aug 86 p 21

[Unattributed report: "Party Chronicle: 4-17 August 1986"]

Sessions of the Central Committee Politburo:

12 Aug

-- The Politburo considered and gave preliminary approval to the plan for implementing the resolutions of the 10th Party Congress in the part concerning education, higher education, science, and scientific-technical progress.

The idea of setting up innovative organizations with the object of, principally, a rapid application of valuable inventions and technical and technological projects to production was considered.

-- The Politburo examined the status of preparations for the coming school year.

Conferences and Meetings:

5 Aug

-- Members of the Politburo and Secretariat of the Central Committee toured plant workforces to obtain opinions of employees and party organizations about the principal issues of concern to working people.

-- First Central Committee Secretary Wojciech Jaruzelski toured the following plants in Radom: RADOSKOR Leather Industry Works and Walter Metal Works. Director of the Economic Department under the Central Committee Marek Holdakowski and Member of the Council of State Wladyslaw Honkisz were present.

-- Politburo Member and Minister of Foreign Affairs Marian Orzechowski toured the LUBIN Coal Mine.

-- Politburo Member and Minister of National Defense Army General Florian Siwicki paid a visit to troops of the Silesian Military District doing land reclamation work in Gorzow Voivodship. He was accompanied by: Director of

Agriculture Department under the Central Committee Stefan Zawodzinski and Minister of Agriculture, Forestry, and Food Management Stanislaw Zieba. F. Siwicki also met with a group of the aktiv from the STILON Chemical Fiber Works.

-- Politburo Member Zofia Stepien toured a number of construction sites and met with the political-economic aktiv of the Construction Combine in Czestochowa.

-- Candidate Member of the Politburo and First Secretary of the Katowice Voivodship PZPR Committee Bogumil Perensztajn visited Czechowice-Dziedzice. He toured POLAM-KONTAKT PZPE (State Electrical Industry Works, the EICOS Plant, and the Silesian Refinery Works.

-- Candidate Member of the Politburo and Secretary of the Central Committee Zbigniew Michalek visited private farmers and socialized farms in Bydgoszcz Voivodship.

-- Candidate Member of the Politburo Gabriela Rembosz toured the POMET Metal Plants in Poznan.

-- Central Committee Secretary Stanislaw Ciosek toured a major project of the health service -- the construction site of the voivodship hospital in Jelenia Gora.

-- Central Committee Secretary Andrzej Wasilewski and Director of the Culture Department under the Central Committee Tadeusz Sawa toured the construction site of the National Library in Warsaw.

-- Vice Chairman of the Central Control and Audit Commission Jerzy Wilk toured the Harvesting Machinery Factory and the Mazowsze Refinery and Petrochemical Works in Plock.

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-- Politburo Member and Chairman of the OPZZ [All-Polish Consensus of Trade Unions] Alfred Miodowicz met with Minister of Construction and Housing and Communal Economy Jerzy Bajszczak. Problems of housing economy were discussed.

7 Aug

-- Candidate Member of the Politburo and Secretary of the Central Committee Zbigniew Michalek visited farmers of Warsaw Voivodship. He familiarized himself with the progress of harvesting at the Bialuty Agricultural Producer Cooperative and at the Leszno State Farm Combine. Z. Michalek also paid visits to IHiAR [Institute of Plant Cultivation and Acclimatization] in Radzikow.

8 Aug

-- Politburo Member and OPZZ Chairman Alfred Miodowicz visited Leszno Voivodship. He toured the Witkowice Farm, belonging to the Dlugie Stare State

Farm, and met with many representative unionists at the Railroader's House of Culture in Leszno.

-- At the PZPR Central Committee was held a conference on the tasks of the mass media in presenting current economic and social problems. The deliberations were chaired by Director of the Propaganda Department under the Central Committee Jozef Burecki.

-- Central Committee Secretary Andrzej Wasilewski met with the Presidium of the Main Board of the Association of Polish Filmmakers. The Association's activities and problems of the development of filmmaking were discussed.

10 Aug

-- Candidate Member of the Politburo and Secretary of the Central Committee Zbigniew Michalek familiarized himself with the results of the new comprehensive technique for protecting grain against diseases and weeds, introduced by the WOPR (Voivodship Center for Agricultural Progress) in Powietrzne, Ciechanow Voivodship.

12 Aug

-- First Central Committee Secretary and Chairman of the Council of State Wojciech Jaruzelski received the Ambassador of the Socialist Federated Republic of Yugoslavia Miltvoje Maksic in connection with the ending of his mission to Poland. Wojciech Jaruzelski decorated Ambassador Maksic with the Commandery Of the Order of Merit PRL, conferred on him by the PRL Council of State.

13 Aug

-- First Central Committee Secretary Wojciech Jaruzelski paid an unannounced visit to Slupsk Voivodship. The First Central Committee Secretary met with harvesters at the Rogorzewo State Farm, toured the grain elevator in Lebork, and talked with private farmers. Wojciech Jaruzelski also visited scouts of the Katowice Troop at their camp in Lubianow Woods. The First Central Committee Secretary was accompanied by Zbigniew Michalek and Jerzy Swiderski.

14 Aug

-- At the PZPR Central Committee was held a working meeting of economic secretaries of voivodship committees with the object of discussing the preparations for a review of organizational structures in the economy and the state. The meeting was chaired by Director of the Economic Department under the Central Committee Marek Holdakowski and attended by Director of the Propaganda Department under the Central Committee Jozef Burecki.

15 Aug

-- Politburo Member and OPZZ Chairman Alfred Miodowicz met with the heads of the House of the Polish Word and the sociopolitical aktiv of the printing shop which will take over the printing of the weekly ZNIAZKOWIEC.

-- Candidate Member of the Politburo and Secretary of the Central Committee Zbigniew Michalek and Minister of Agriculture, Forestry, and Food Management Stanislaw Zieba toured West Pomerania, familiarizing themselves with the progress of harvesting operations at state farm combines in Starogard Labezki and Pezin.

At Party Echelons and Organizations:

8 Aug

-- The Siedlce Voivodship PZPR Committee discussed the tasks of the voivodship party organization in implementing the resolution of the 10th Congress and confirmed the schedule for the reports-elections campaign. Concerning organizational matters, the plenum accepted the resignation of Jerzy Swiderski from the post of first secretary of the voivodship committee in connection with his transfer to the post of director of the Department of Youth, Physical Culture and Tourism under the Central Committee. The voivodship committee elected ex-Minister of Youth Andrzej Ornat the new first secretary. The following took part in the deliberations: Candidate Member of the Politburo and Secretary of the Central Committee Zbigniew Michalek, Director of the Cadre Policy Department under the Central Committee Wladyslaw Honkisz and Director of the Letters and Inspections Bureau under the Central Committee Marian Kot.

-- The Biala Podlaska Voivodship PZPR Committee evaluated the status of the voivodship's economy and outlined the related tasks in the light of resolutions of the 10th Congress.

12 Aug

-- The Pila Voivodship PZPR Committee evaluated the services provided to citizens at offices and institutions in the light of resolutions of the Ninth Central Committee Plenum. Director of Letters and Inspections Bureau under the Central Committee Marian Kot participated in the deliberations.

1386

CIO: 2600/675

## ASPECTS OF AMNESTY RULING PRESENTED IN PRESS

## Legal Organ Praises 'Humanitarian' Act

Warsaw PRAWO I ZYCIE in Polish No 30, 26 Jul 86 p 1

[Article: "A Chance"]

[Text] "This is neither an amnesty [Abolicja] nor a pardon [Amnestia]. The first depends on a statutory interdiction of prosecution of the perpetrators of specified acts. An amnesty prohibits the commencing of a court trial and requires that cases already begun be discontinued. To the degree that amnesty concerns the question of permissibility of criminal proceedings, then a pardon concerns the results of valid sentences.

The Law of Special Procedures for the Perpetrators of Certain Offenses is certainly not an act of pardon. In principal, neither is it an act of amnesty, although it will certainly be described as such in everyday speech. It has certain particular characteristics. This is testified to not only by the title of the law. Amnesty indicates usually a certain automaticity in procedure. The legislator in the act of amnesty describes exactly what is to be done, which provisions are to be given by the courts and prosecutors in the case of deciding which action is to be encompassed by the act of amnesty.

In the case of the Law of Special Procedures for the Perpetrators of Certain Offenses the legislator has, generally speaking, left to the implementing organs the establishing of set procedures. The fact that the given crime was mentioned in the law as coming under recognition in the procedures foreseen by the law does not mean that the law's regulations concerning the pardoning or lightening the sentence will be automatically applied. They may be applied, but do not have to be. Individual decisions based upon earlier detailed analysis will be made. The legislator has outlined two basic conditions for a positive decision: a substantiated supposition that the particular individual will actively take part in the life of the country and will not return to crime.

The Law of Special Procedures for the Perpetrators of Certain Offenses is, however, above all a deeply humanitarian act. It extends the possibility to

the estimated 20,000 individuals of returning to normal life. It is no accident that besides regulations affecting pardons or reduced sentences, the law also contains regulations concerning the conditional early release of older individuals, of individuals caring for children under the age of 16, of young people less than 22 years of age as well as of perpetrators of accidental crimes.

At the same time, it contains a series of exceptions. Among those who cannot benefit from the act's largesse are habitual offenders, individuals who committed crimes of a hooligan nature or while intoxicated. Generally, individuals who have committed acts of reason, espionage, shady economic, financial, and customs crimes (the so-called minor economic sabotage) will not be able to take advantage of the law. In exceptionally justified cases, however, the attorney general may request the Supreme Court to apply the law to these individuals.

As Representative Elzbieta Gacek said in the Sejm, the Law of Special Procedures for the Perpetrators of Certain Offenses is an expression of the on-going social and economical normalization of life, and the gradually but consequently implemented improvement of the daily existence of working people. It is an expression also of the noticeable improvement of domestic law and order, the increase of the feeling of security of the citizens, and the establishment of the role of law as a regulator of social relations.

But, above all, it is a chance.

#### Catholic Weekly on Amnesty for Women

Krakow TYGODNIK POWSZECHNY in Polish No 28, 13 Jul 86 p 2

[Letter to the Editor by Jacek Mazurkiewicz]

[Text] Before the presently discussed act of amnesty comes into effect, I would like to discuss the fate of one particular group of prisoners separately.

Some of the recent amnesties have also included female guardians of children. This was not only the guardians of very young children (to 3 years of age) but also older children (to 16 or even 18 years of age). The granting of amnesty to those groups of inmates (also dependent on the type of crime committed and the sentence length) has already become a tradition in Polish criminal law, and undoubtedly a good one. The reasons speaking in favor of this legal practice are too obvious to require repeating and justifying. Let us consider that it is perhaps less important to take into consideration the interests of the convicted mother alone when compared to the unmistakable and noncontroversial interests of her child. The recently observed restricting of amnesty only to single mothers (and fathers) is a cause for anxiety. This is due to the fact that no one can take the place of the mother in the child's life, especially during the first few months.

Neither sentencing pregnant women to a punishment of incarceration nor carrying out this sentence is forbidden under Polish criminal and penal law. In fact, each year the courts convict, sentence, and incarcerate a certain

number of pregnant women. However, there have been no acts of amnesty, certainly no recent Polish acts of amnesty, that have expressly included pregnant women. However, it was not known how the amnesty would be implemented, although according to the intentions of the authors of the regulations the amnesty should have been applied to pregnant women. We know that some pregnant females who have been convicted of so-called non-criminal acts have been granted individual acts of pardon. Although not connected with an amnesty itself, this may show the government's approval of solutions aimed in this direction. However, a clear provision in favor of amnesty for pregnant convicted women and their already conceived children has always been lacking. This is in spite of the fact that proposals to this effect were voiced in the Sejm. One example is the 5 December 1983 address of representative R. Buchala. These proposals were similar in spirit but were limited to interning pregnant women. This is also in spite of the fact that Soviet law-making has known such clear provisions for years, having proclaimed amnesties on the occasion of the 50th and 60th Anniversaries of the October Revolutions and on the 50th Anniversary of the Formation of the Soviet Union.

Of course, a provision for the distinct inclusion of pregnant women in future amnesties should be tied to the nature of the crime committed and to the length of the sentence. After all, this is only a partial provision when looking at the whole issue of sentencing pregnant women and their incarceration. The appeal to broaden the presently rickety defense of motherhood in the criminal code and the executory criminal code, to extend the guarantee of basic rights for these mothers and their children in the so-called provisional (from 1974!) regulations of execution of punishments of incarceration, and also the wide application of known institutional rights which would limit (and perhaps eliminate) the possibility of sentencing and implementing said punishment during pregnancy is still relevant. It has been shown that guarantees depending only on the ethereal guidelines of the Central Administration of Penitentiaries or on individual decisions within the ministry do not suffice. These last observations are confirmed by the fate of the penitentiary for mothers with small children in Krzywaniec. This penitentiary, fought for by Dr. M. Lopatkowa, is presently being gradually liquidated.

We have many myths and phobias concerning people sentenced and imprisoned for criminal activity. These myths and phobias not only have been created externally but some have also arisen from within us. The fate of imprisoned pregnant women, in particular the fate of their conceived children, is a good occasion to reflect on these myths. It is both possible and necessary to free ourselves from these myths. There are special reasons for this. Not questioning the need for a just punishment, one should recall that which is so obvious that repeating it becomes embarrassing. A punishment is just only when it affects only the one who is guilty (although it is known that this is not the only condition of a "just punishment"). Thus looking further and more broadly it is worth recalling one more thing, which is also obvious for Christians. Those who trust in Him, also once a prisoner, cannot forget, despite all temptations, that on the other side of the wall our brothers and sisters live, work, and suffer (even if this is usually rightly so). These words are not meant to be a show of tears, nor sentimental small talk, nor religious coquetry. It suffices to take a look at the Gospel in order to free oneself from these suspicions.

## ATTACK ON INTELLECTUALS REBUTTED

Krakow TYGODNIK POWSZECHNY in Polish No 26, 29 Jun 86 p 4

[Article by Zbigniew Witkowski: "Urban and Wierzbicki Under One Roof"]

[Text] Years ago when Jerzy Urban was still head publicist for POLITYKA, one of his favorite anecdotal subjects were the titles of doctoral theses. During that time, if I am not mistaken, he came across a paper on the efficiency of a horse in harness. The professor conferring the degree "ridiculed" by the thesis, unexpectedly defended both the title of the work and reason for the student's interest. Urban would not have been himself if he had not maliciously growled in reply. He wrote that tractors will soon flood the Polish countryside washing away the horse and harness from it. He also wrote that education should look towards the future; therefore, tractors and not horses should be researched. Today these epistles have a particularly somber ring to them. Horses are still harnessed as they were in the past and tractor ownership by peasants is still absent as in the past.

Piotr Wierzbicki not long ago endorsed a similar logic. We can ultimately forgive him for failing to understand basic concepts and recognize the inter-relationship between preserving nature and protecting the environment. However, we should be amazed that he demands from scholars things which science was not meant to produce. Aren't professors teaching courses at universities, or worse yet--are they lying to students by telling them that the country's natural environment is in a perfect state? Are journalists the only ones who've arrived at the conclusion that Poland is poisoned and polluted? Of course not! The majority of students are perfectly aware of the state of the environment in our country and hundreds of studies and publications exist on this subject. What then is Wierzbicki attacking? Well, scholar indolence in calling for a clean sky over Poland and the absence of a fighting spirit among them. What does Urban have in common with this? Much! Both publicists unconsciously promote the neoromantic dictate: "Scholar, transcend thy mediocrity!" Urban attacks scholars because they, among other things, study the economy as it really is; that is, horses instead of tractors. Wierzbicki, on the other hand, is irritated by the fact that scholars aren't fully assimilated in a democracy such as ours; that is, one ruled by the proletariat.

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## BRIEFS

**COMMENTARY BEMOANS CULTURAL SCENE--**I would not be exaggerating if I were to state that the summer vacation period will show that our culture has been on vacation for quite some time. For several years now, the most obvious characteristics in literature, film, theatre and other arts, have been indifference, unappealingness and parochialism. Include in this political, often hostile, divisions and serious financial difficulties, and we have its full, slightly optimistic picture. A picture of deterioration and failure. The odds are not great that this temporary state of apathy will be interrupted and replaced with creativeness and substantiated by works of high artistic and intellectual merit. Kazimierz Koznowski of POLITYKA writes that "a form of literature has emerged, perhaps rather still a 'literature' in the narrow sense of the word, which simultaneously has become extremely boring, void of any plot and whose intellectual achievements are in no way proportionate to the endeavor which requires wading through all the existing stylistic and compositional intricacies. Intricacies generally concealing utter emptiness." KTT, also of POLITYKA, writes: "Polish film in its basic intellectual presentation is old and anachronistic not only because of its archaic subject matter but also because of archaic ideas; these archaic ideas are also reflected in the manner contemporary subjects are treated which as a result deters young people from going to the movies, and the movie theater which fails to draw young people falls into ruin." [Text] [Warsaw WPROST in Polish No 30, 27 Jul 86 p 3] 13090/12795

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## ECONOMIST INTERVIEWED ON PECULIARITIES OF COMMUNIST HISTORY

Belgrade NOVE OMLADINSKE NOVINE in Serbo-Croatian 10 Aug 86 pp 8-10

[Interview of Dr Vladimir Gligorov by Dragan Bisenic: "A Tumultuous Outcome of the Socialist Plot"]

[Text] Even as a world process, socialism has not fulfilled the dreamy expectations of its supporters that it would once and for all put an end to everything that oppresses mankind and finally institute a reign of justice, freedom, and equality. Other systems also hold these ideals very high on the scale of values. Although it was supposed to have greater quantities of freedom, justice, equality, and welfare than its predecessor, capitalism, socialism as a better and more worthwhile system has frequently lacked these ideals and it has suffocated them, becoming inferior to its "opponent," capitalism.

Dr Vladimir Gligorov could also be called a critic of this type of socialism, especially of its economic mistakes. His book entitled "Socialist Genre," published last year by the Publishing and Research Center of the Socialist Youth Alliance of Serbia, deals specifically with socialism's idiosyncrasies.

[Question] What really is the socialist genre?

[Answer] I wanted to say that socialism had certain constant, strict lines of development, almost like genres in art. The beginning must be of a certain type, the end too, and there will be such and such scenes and roles.... There is a specifically socialist plot and a socialist outcome. The plot has been caused by Stalinism, and the outcome is predetermined by it.

[Question] What are some of the more specific characteristics of the socialist plot and especially of the outcome?

[Answer] In the plot the key conflict is between the authorities and the people. Stalinism is certainly the most dramatic. The first reason for the conflict is the imposition of certain goals with which every socialist country begins its development and which at the very beginning create opposition between the ideal and reality. Every socialist country begins with a natural economy. One would expect it to take the road to modernization, to adopt those institutions that exist in developed countries, to broaden the indepen-

dence of the banking system, and to increase financial discipline and the money-based economy, because these things encourage development. For ideological reasons, socialism goes in the opposite direction. It abolishes the money-based economy and comes into conflict with the people who have to get used to this. The second element is the one-party system, and the third aspect of the plot is determined by ideological partiality and exclusivity in the cultural sphere. Ideological pluralism is curbed, and Marxism is elevated above all other forms of thought as the only one that is legitimate and pertinent. One could say that the people are a fiction, but the conflict becomes even more drastic between the authorities and individuals, if we descend to that level. The negation of individual interest and enterprise has had grave consequences for socialist economies.

#### Reforms--Only when Things Become Critical

The first part of the outcome scenario is concessions in the economic arena. The strategic orientation is toward abolishing money, markets, capital, and economic laws, regardless of the fact that all of these things exist and must have an effect, regardless of whether one acknowledges them or not. Such a strategy, even if impossible, determines people's conduct and this has certain consequences. Only when things become critical, so to speak, are there any steps toward economic reform. Since the goals of economic reforms are abandoned very quickly, the reforms are reduced to tactical moves by the authorities. Yugoslavia is no exception to this. Rather, it is a typical case, because the reforms have lasted 2-3 years, and they give no indication of a strategic orientation.

The other aspects are worse, and they are characteristic of Romania, Poland, Czechoslovakia, and Bulgaria. The Czechoslovak example is interesting. It was an attempt, like the one in Hungary in 1956, to democratize society by democratizing the party first, or to make the two processes parallel. This corresponds to what was taking place in the economy. Democratization and decentralization of the mechanism of power were accompanied by the revival and independence of economic entities. Politically, the party had withdrawn from exercising direct control, various organizations were formed, and the public became independent, a kind of pluralistic system. However, it lasted for a short time, only 8 months.

[Question] Despite the Marxist classics' expectation that the socialist revolution would take place in the developed countries, it in fact took place in underdeveloped countries. Socialist countries are quite a bit behind capitalist ones in material well-being, and it turns out that socialism is frequently at odds with the economy. Why is this?

[Answer] This is because its fundamental goal is not economic development. Instead, the development of the economy is viewed as a means of building socialism and socialist relations. This is a key difference from the "state of plenty" toward which many states have oriented themselves. They view political life as a complement to the building of economic institutions. By this, I do not mean to say that any political system that takes care of the economy is good. Democracy has other important aspects, but these are two

complementary systems, and neither democracy nor economic efficiency can be made subordinate to each other. This is not the case with socialist countries, because they build socialism regardless of the cost. The Soviet Union's problem is the defense of central planning, regardless of the cost. The bills come due. Certain details are very evident. Socialism views itself as a society of low prices, but not in the sense of decreasing costs, which leads to progress, but simply in the administrative sense. You announce that a car, an apartment, or bread will cost so much. Naturally, initially there are no apartments and it is necessary to wait for a long time for one. Afterwards, in order to get an apartment it is necessary to give a disproportionate amount of money, and it turns out, as it has in Yugoslavia, that economically feasible rents would lead to a considerable tightening of the belt. The people are in a bind, the authorities cannot decide what to do, and so the funds are found somewhere else. One way is to raid agriculture, another to raid the working class, a third to borrow abroad--which causes huge debts--, a fourth is inflation, and a fifth is to do all these things together. In order to correct these errors, it is now necessary to adapt the political system. Earlier minimal correction would have sufficed. It is well known that a radical change carries a cost in money and in the authorities' prestige and power.

#### The Constitution Allows for Stock Holding

[Question] There are conflicting views regarding the need for radical changes. On the one hand, there is rejection of radical changes because of the fear that "liberalization" could lead to major upheavals and if dogmatization were to prevail there would be "firm hand" rule. On the other hand, there are those who insist that changes are the only valid solution.

[Answer] The radical change option has its advantages and disadvantages. The disadvantages have been noted, and it is much more dangerous to opt for dogmatization. I have the impression that this is the cheapest solution, although not in the political sense. Still, one does not have much choice. The economy is enormously dependent on short-term credits, and the banks cannot provide them because there is no money. Thus, there can be either a postponement of debts or the printing of additional money. A normal solution would be to sell off the assets of those economic entities that cannot compete in the market place and which harm people more than they benefit them. This selling off could be accomplished by issuing sound bonds or stocks. This may seem like a very radical and expensive proposition, but in reality there are no expenses. It is only a matter of securing permission to do it, and there is no need for any changes in the Constitution, in contrast to some other "adjustments." For instance, in order to achieve financial consolidation of the economy, it is necessary to change the tax system, and a change in the tax system necessitates a change in administration, and changes in administration necessitate a change in the Constitution.

[Question] The publication of the Alliance of Trade Unions of Yugoslavia, RAD, published your argument on workers as share holders. Why is this idea encountering resistance?

[Answer] Because of sheer stupidity; first of all, the resistance is ideological, and when there is a crisis, ideology is not worth much. Secondly, there

is the fear that one will lose control if one issues stock, which is true. It is quite unlikely that workers, who are also owners, would give decision-making power to the local party committee. This would not happen. Now, when a worker is only living for his paycheck, he tries to struggle in the workers' council only enough to ensure his personal income. Right now he does not care whether something will be built, or investments made, or where the capital will go. He lets others decide this.

[Question] This means that shareholding would enable the workers to truly control surplus value?

[Answer] Absolutely. Let me digress. The essence of every socialist system is party or state control of investments. This is almost an economic definition of socialism. Everything else is institutions that make this possible. There are no exceptions, because both our and the Soviet systems are based on controlling capital from outside the enterprises. This stems from the fact that there are no stock exchanges and no money markets. In this, the difference between the ends and the means is unimportant. If one were to introduce a system of shareholding, it would mean that the economy would take over the function of investing. A share is an investment: one that is mine, I know it, I have it written down, I expect income from it, and I can sell it any time I want to; this means I can make capital out of it. Shareholding would change the relationship between politics and economy.

[Question] It would certainly change both the organization and the administration of enterprises.

[Answer] Yes. Instead of workers' councils, which right now are trying only to ensure personal incomes and the director, who at any rate is appointed by the party, there would be other organs. We would have councils of workers and shareholders who would appoint directors, i.e. managers and administrators. Consequently, we would not have self-management in the sense of having everybody manage, because management is not a matter of ownership or any other kind of authority in an enterprise. In a developed democratic society, the owner is not enamored of the idea of managing his enterprise. On the contrary, he hires somebody who can do it better--a manager or a director who has specialized in this. Control over an enterprise, as well as distribution of funds, would be present in the council in two ways: labor of selecting the best and the most competent managers. This would radically change the present system of self-management, which makes it seem that all the workers are directors. That is a ridiculous and primitive way of negating the division of labor. What I am talking about is an old idea in industrial democracy, and it would run counter to our present system which ensures neither democracy nor efficiency.

#### Stalinism Is Present even in the Law on Associated Labor

[Question] Does this mean that without industrial democracy there can be no social democracy?

[Answer] We could not say that England was not democratic in spite of the authoritarian relations in its enterprises. Authority does not stem only from ownership, but also from labor. This could not be implemented where efficiency is valued. Since it does not seem logical that someone who is only working in an enterprise should participate in the distribution of profit, this practice is not widespread in the West. Many things, however, that could be handled at the enterprise level are relegated to the state. By handling a great many things, even the welfare state has become inefficient. Democracy in public life, therefore, must be directly related to industrial democracy.

[Question] Yugoslavia was the first to seek new roads and, in a sense, it could have been a model for other countries striving for socialism. Why did it lose this opportunity?

[Answer] It could have become an example only in a very abstract way. It was the first to engage in de-Stalinization, but this was not consistently implemented as far as the economy was concerned. The introduction of a market economy was a serious act of de-Stalinization, but Stalin himself was least Stalinist in that regard. The wave of de-Stalinization that swept over Hungary and other countries in 1956 caused no major changes in Yugoslavia because we had allegedly done all that by ourselves. As a matter of fact, however, many things were rather arbitrarily carried over because the Soviet Union continued to be an example for the other socialist countries. Until yesterday, it was denied that there were any socialist roots of Stalinism in the party, the economy, or the political system.

[Question] Where are the remnants of Stalinism?

[Answer] In my opinion, they are gathered in two blocs. The first is an ideological one and it has practically made its way into the Law on Associated Labor. It stipulates that there can only be a market for things, goods, but there can be no market for capital or labor. This is similar to Stalin precepts in the book "On the USSR's Economic Problems." It does not matter that our practice is not such, and that we have a market for labor and capital, as well as a black market of enormous proportions, because Stalinist practice did not suit the Stalinist system either. All of this existed even in the Soviet Union, except for a brief period when the people were too afraid to engage in it.

The second bloc can be found in the political system which is entirely subordinated to the leading ideological force.

[Question] People understand Stalinism to mean systemic things, especially widespread physical repression.

[Answer] This was the system of repression before and after Stalinism. Let me add, however, one more systemic element--democratic centralism--that has spread unnecessarily to other socio-political organizations and is a part of the League of Communists' attitude toward these organizations.

There has never been a period in the history of our socialism without a fair amount of repression. It is not identical to the Soviet Union, but we did have a period of collectivization, even after the break with Stalin, and even today there is a predominantly collectivist approach to agriculture. Ideological repression was not as dramatic, but there has always been a kind of repression that did not tolerate pluralistic thought. Finally, moral-political qualifications are not irrelevant when it comes to getting a job.

#### Unemployed, Leave your Ranks

[Question] In spite of everything, it is felt that Yugoslavs today are living better than 50 years ago.

[Answer] It is a complex thing to compare a better or worse quality of life in two different time periods. I could say that I am better off now because my salary is 12 million, while 5 years ago it was only two. That, however, is no proof that I am really better off now. The fact is, however, that our country has, comparatively speaking, lost quite a bit, and that two or three generations have lost the opportunity to live under the conditions under which the developed part of the world lives. After all, Yugoslavia is in Europe, not in Africa. We do not have to compare our post-war development to that of Germany or Japan, countries that have lost the war and were devastated. We could however, compare ourselves with Spain, Greece, and Italy, which were behind us before the war, and now are ahead of us. It is clear that we are lagging behind and are not keeping up.

[Question] Lately, ideas have been presented which seek solutions for the contradictions and ambiguities of socialism in socialism as a bourgeois society. What is our current idea of a socialist bourgeois society?

[Answer] What is really bourgeois society, not in the sense in which Marx describes it to us? First of all, its institutions are independent--there is public, market, and political pluralism. These are the elements that the individual and the authorities deal with, with legal and administrative prerogatives. The question is, therefore, what is Marx's view on the independence of institutions. It turns out that he favors a monolithic and integral societal system, and not one of independent institutions because he feels that they perpetuate, in a chaotic manner, the power of those who are stronger, more intelligent, and better educated.

Right now a reformist attempt is under way in Yugoslavia to make social forces and institutions independent within the existing system and to ensure some sort of autonomy for individuals from the dominance of the authorities and the one-party system. This means that we are moving toward a democratization of society by negating the one-party system. This democratization of society is independent of the party, and we had the same idea in the late sixties. The Students' Alliance advocated such a development, but without the thesis that there can be no democratization of society without a democratization of the League of Communists. This means that one should not wait for a democratization of the party, but instead push for democracy as much as possible. This also means making political organizations independent, not in the sense of independent political parties but rather in the sense of independent political

organizations that would represent the views of their members or those that they serve. The same would pertain to the market and to the separation of the party from the state. Because of the influence of events in Poland, this idea is once again appearing in Slovenia because it has been demonstrated that such an outcome is possible. Yugoslavia pioneered this idea, but it was not influenced by events in Czechoslovakia in 1968. The question is: how realistic and politically valid is this idea for Yugoslavia? Even in the late sixties I felt that this was the only way to make it possible for all forces, including the League of Communists, to build a better future. In a crisis situation such as the one in Yugoslavia right now, in a situation where republic interests are overwhelmingly predominant, the question is, how feasible is this? We have three sources of change: the first is the League of Communists, which is blocked by federalization; the second is republic interests, which are acting powerfully, but in the wrong direction; the third is the public, which is not huge. Development in that direction is aimed at the weakest link--the public and the necessity. There are a million unemployed in Yugoslavia who will very soon have to seek employment. It would be very good if, regardless of what the law has to say, they would go to work instead of waiting for social assistance.

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**CROATIAN REPORT SCORES 'CRITICAL ANALYSIS', LC DOGMATISM**

[Editorial Report] According to an article in the Zagreb weekly DANAS of 16 September 1986, page 24, a special work group of the Croatian Republic Council on Questions of the Social Order has issued a report on the Critical Analysis of the Functioning of the Political System which criticizes the Critical Analysis for not bringing out the fact that "the system, in producing bureaucratic relations, has also produced a bureaucracy as a 'political class,' or a special 'bureaucratic administrative strata,' which manages all structures of society...and even though it is outside the production process and thus not a ruling class in the Marxist sense,...is nevertheless a parallel, unconstitutional system of power."

The report notes that everything the Critical Analysis says about the action of subjective forces (the LC, etc.) on the republic level is too general, that instead of developing self-management, the LCY has often blocked and made self-management impossible; and it points out that federalization of the LCY is one of the major causes for the crisis in achieving Yugoslav federalism.

"Attesting to this is the low level of internal party democracy with a large admixture of dogmatic consciousness (exemplified by the persecution of 'agrobusiness' in Croatia in which the reasoning of ideological purists prevailed according to which it is better to leave land uncultivated than to permit someone to 'get rich' with it.)" The report particularly stresses that a stagnation has occurred and a blocking of new ideas (including "those revisionist ideas for which we were once accused"), but "without new ideas and the development of a modern Marxist ideology, it will not be possible to achieve a socialist self-management society." There is no doubt, the report adds, that attacks on the foundations of the system are increasing, but this is no reason for labeling new ideas as antisocialist.

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## ASSOCIATED LABOR LAW SAID TO PROMOTE FRAGMENTED ECONOMY

[Editorial Report] One of a series of articles discussing proposed changes in the Constitution and in the ZUR (Law on Associated Labor), which appeared in the 15 September 1986 issue of Belgrade BORBA in Serbo-Croatian, page 5, by Vanco Nikolovski, says that the ZUR was enacted almost 3 years after the Constitution, at a time when the "statistic" forces in the republics and provinces aspired toward forming national economies and strengthening their social power. The dominance of these forces led to the ZUR's tacit revision of the Constitution on key questions, and to its becoming a base for decentralized statism. "In the ZUR one can find many prescriptions which are against the Constitution and which can be used for strengthening the power of...decentralized statism."

"The ZUR brought the national factor into production relations and thereby created the condition for national economies. There are several regulations in the ZUR which are along this line, but the most typical is Article 25 which contains the entire philosophy of national economies,...according to which the self-management organizing of workers is completed within the republic or province and, as a result, the self-management organizing of workers in the system of associated labor is equated with and appears as the formation of a national people in a state- and self-management republic community. The organized workers operate in the Federation by establishing joint interests as nations or as organized nationalities via their national states and sociopolitical communities. The social funds for production, natural wealth, and social income appear as national property, national wealth, and national income which every nation disposes of freely and in a sovereign way. The republics and provinces relate to the market by 'agreement,' the working class is divided into national classes, and its interest is expressed, above all, as interests of the nation."

Nikolovski notes that "this is in opposition not only to the letter but also the spirit of the Constitution which says that the economic area of Yugoslavia is unified,...as is the market, the working class, and its interests."

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## TEACHER SHORTAGE, POLITICAL SITUATION AT KOSOVO UNIVERSITY

Belgrade BORBA in Serbo-Croatian 1 Sep 86 p 5

[Excerpts] The University of Kosovo in Pristina, with nine faculties, an art and music academy, and six advanced schools, in the last few years has been seriously faced with the problems of [a shortage of] teaching personnel. In the last 5 years 66 associate and full professors and lecturers have left the faculties and advanced schools.

Teaching personnel of both Serbian and Montenegrin, as well as Albanian nationalities, have left, but it is more difficult to replace Serb and Montenegrin teaching personnel. There is also a shortage of qualified personnel in the Albanian language. The salaries are relatively low and there is a lack of housing.

There is still an unstable political-security situation at the university, especially a psychosis which was created after the counterrevolutionary events based on Albanian nationalist and irredentist positions. But one should say that of the 32 Albanians who left, a number were dismissed because of political unsuitability, and action toward further differentiation which is being waged by the LC portends the removal of more cadres of this nationality from the university. The largest number of lecturers and staff members, numbering 55, left the university between 1981 and 1983 when the political-security situation was quite bad.

The salaries of highly trained personnel here are markedly below those in other areas outside and even within Kosovo,...for instance, [below those] in the large lead and zinc Trepca combine in Kosovo, in the mining-metallurgy faculty in Titova Mitrovica, and in some faculties in Pristina.

One must also say that the university, because of its poor material-financial situation, cannot offer young people nearly adequate conditions for advancing in scientific research work.

The personnel problems at this university have been brought out several times, but the obstacle...has always been the lack of money. Nevertheless, a way out must be found. Part of the fall political action will be, along with further ideological-political differentiation, an improvement in the conditions of work for university personnel.

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## CONTROVERSIAL BELGRADE PUBLISHING HOUSE UNDER ATTACK

Zagreb DANAS 24 Jun 86 pp 37-38

[Article by Momcilo Djorgovic: "The Sins of 'Partizan Book'"]

[Text] All sorts of things are known, but as yet nothing reliable is comprehended. This would probably be the most adequate summary of the case of the small, energetic, and as one has seen, for our conditions, very tough Belgrade publishing house, "Partizan Book." Of course, it remains to be clarified exactly what event is under discussion.

Was there really an incident, or did it have to be invented? In other words, did this publishing house really imperil financial regulations to such an extent that it should be liquidated? More exactly, in publishing certain books and certain authors, did it call into question the foundation of the political system and violate the self-understood silence on taboo topics? Is this why it had to be silenced? There are answers to these and other questions, but they are insufficient to establish with complete reliability the truth about what happened in and around that institution this spring. And perhaps not everything started this spring. Was it perhaps the time it had to be ended?

The controversy is over the Belgrade ROAL printing-publicistic activity of the Ljubljana publishing organization "Partizan Book," founded by SUÑNOR (Veterans' Organization) of Slovenia. A small firm, until 1981 it barely existed on the periphery of the big metropolitan publishing scene. Since 1981 the firm has increased the intensity of its activity from year to year and slowly arrived at almost the very epicenter of publishing. Its publication plans are more ambitious, and revenues and entries grow by enormous steps. Social recognition closely followed that growth and publishing policy; in 1980 alone, it won three prizes. "The Dictionary of the NOR and the 1941-1945 Revolution" was voted the publishing project of the year. Zoran Vidakovic's book, "Marx and the Modern World" won the October Prize of the City of Belgrade, and Toma Djordjevic's "Theory of Information" received the Prize of Yugoslav Radio-Television. The Veterans' Organization of Yugoslavia gave an award to Zivojin Gavrilovic's "Igmanac." The October Prizes of the City of Belgrade did not bypass the authors of "Partizan Book" in the next 2 years. In 1983 Nikola Milosevic was awarded for his study "Dostoyevsky the Thinker," but refused the prize. In 1984, Dr Zarko Papic got an award for "Self-Management Planning." Vladimir

Goati received the NIN "Dimitrije Tucovic" Prize for "Modern Political Parties." That same year, the Social Accounting Service visited the institution and gave instructions to the Federal State Security to do the same. In the beginning of May the editor-in-chief and managing editor, Aleksandar Postolovic, and financial director Radovan Odavic were arrested; general director Mihailo Djelovic was also apprehended.

The party organization, the program council and the workers' council convened one after another. Their evaluation categorically stated that there was no basis for such treatment of the institution and its management. They emphasized that something else was up. Exactly what was not mentioned. Was the problem a specific book or a number of specific books? Books that had already been released or books about to be published?

We spoke with Aleksandar Postolovic and Radovan Odavic, who were released because, according to the official explanation, there are no longer justifiable reasons for their detention. The editor-in-chief recalled that the first problems came after the publication of Velimir Terzic's book "The Collapse of the Kingdom of Yugoslavia." The book provoked the greatest disturbance in Croatia; it was a polemic, an appraisal, a treatise on patriotism. It posed the question whether old Yugoslavia should have been defended or not. But there was no ban; the book was sold, and there was no operative political intervention. That same year new complications arose when the ambitious editorial board wanted to announce a book of interviews with economists, sociologists and political scientists on the socio-economic crisis in Yugoslavia under the title "What Is To Be Done?" (by authors Dusan Bogovac and Slobodan Kljakic). After conversation with politicians from the highest state organs, the institution readily abandoned the project.

#### Heritage and Crisis

Last year "Partizan Book" announced an 8-volume edition of "Political Crisis in Yugoslavia" by authors Dragan Markovic (at that time still director of "Politika") and Sava Krzavac (chief of the information service of the Presidency of SFRY). The first volume, "Why They Were Replaced," was held up at the publishing house for 8 months, and some material was continually being deleted, as Postolovic put it, mostly on events in Bosnia and Herzegovina. In his opinion, in the long run it became as hollow as an empty pall. However, it was sold for 6 months (earning a total of 180 million dinars). The seven remaining books were prepared in the following order: "The Truth about Goli Otok," "Three Frauds of Milovan Djilas," "The Rise and Fall of Aleksandar Rankovic" (Postolovic is certain that it is this book which especially irritates certain circles), "Political relations in Serbia," "The Plot of Nationalism" (Croatia 1971 and Serbia 1972) and "Counterrevolution in Kosovo." The Veterans' Organization of Slovenia reacted to the announcement of the edition with the judgment that it transformed the heritage of the revolution into a crisis. With the publication of Batric Jovanovic's book, "Kosovo, Inflation and Social Distinctions" (in which, among other things, he asserts and attempts to prove that for 40 years Slovenia and Croatia have lived at the expense of the other republics and provinces), the Veterans' Organization of Slovenia and the state organs of Slovenia have demanded that the Belgrade BOAL break off from the

main firm. And Istok Zagar, under pressure from Slovenian veterans, resigned from the program council of "Partizan Book." At the beginning of the Plenum of the CC LC Serbia in April 1985, "Partizan Book" was mentioned and it was recommended that greater social influence be ensured on its work. Dragan Markovic, one of the authors, was criticized by the Commission of the City Committee of the LC Belgrade in February for informing on the circumstances of the "Politika" firm. Around April and May the Belgrade business community began to speculate about big scandals. Markovic had reportedly received a large amount of money from "Partizan Book" but the texts had not yet been delivered. Publicly, however, nothing was mentioned about this; Dragan Markovic retired at the beginning of the summer. However, he remained an active member of the CC LC Serbia until the information of the new Central Committee. Otherwise, on the program committee of "Partizan Book" Markovic demanded that "the political motives which caused all this be revealed or that the economic motives of the blockade be eliminated."

A man like Dragan Markovic would probably not jump to the conclusion that the entire affair was "politically motivated" just on the basis of simple gossip and some finger-pointing.

Last year the Socialist Alliance of the Belgrade Commune of Savski Venac criticized the firm's publishing plan. Inclusion in the program of Matija Beckovic's "Selected Works" and Ljuba Tadic's "Introduction to Political Science" was controversial for them. (All the books of that selection have already been announced and none has been forbidden.) As a result of this criticism, Beckovic himself withdrew the manuscript. According to Aleksandar Postolovic, the next publications being prepared will meet with peculiar odium and dissatisfaction, which, by the way, has not been publicly expressed anywhere. The publications are: "The Martinovic Incident" by Biserka Matic and Svetislav Spasojevic; the new edition of "The Golgotha and Resurrection of Serbia" by Vidosav Stevanovic and Silvija Djuric, and two books by Miroslav Pecijlic, "The Captive Society" and "The Drama of Socialism." Moreover, Postolovic is certain that the real intent of his arrest was to postpone publication of "The Martinovic Incident." But how can this be connected with the fact that in February of this year the editorial staff talked with representatives of the CC LC Serbia and got the green light to publish the book "The Markovic Incident"? Was the approval illegal, or did something change in the meantime, or does the editor-in-chief make some wrong connection?

Postolovic was already in pretrial confinement under suspicion of signing a fictitious contract last year with Dr Tihomir Jovanovski, professor at the Skopje University Economics Department and vice-president of the National Bank of Yugoslavia, and Dr Zarko Ristic, researcher of the Belgrade University Economics Department, for the book "Monetary and Fiscal Economy." Postolovic allegedly paid them a portion of their honoraria before he received the manuscript primarily so that Dr Jovanovski would ensure the publisher an open line of credit at the post-office savings bank. As Postolovic explained to us, he did indeed make an advance payment of 700,000 dinars to Dr Jovanovski and 420,000 to Dr Ristic. (It had already been agreed that they would receive one million each.) However, Dr Zarko Ristic turned in his portion of the manuscript in the beginning of December of last year. (The contract due date was

15 June 1986.) Dr Jovanouski submitted his on 13 June. At the publisher's program council Dr Jovanouski explained: "Whenever I found out that an institution could give credit to a publishing house, I proposed it. It was the same for "Partizan Book." And whether they contracted for credit and under what conditions, it is no longer my concern. Of course I didn't do that to bribe the publisher to print my book and pay me money."

Postolovic claims that the practice already exists among publishers of paying reliable and current authors an advance honorarium. He emphasizes that his firm has created a relationship with its authors which is far from impersonal, cold, or at a bureaucratic distance. Authors gathered at "Partizan Book" for discussions, and whoever could (to the best of his abilities,) helped the firm to conduct business successfully. In this regard, Postolovic states: "We shared the good and the bad with our authors. Many ideas for books originated in the editorial board itself. Anyway, as far as we know, this is the practice with publishing houses all over the world."

The assistant general director of SASY told "Vecernje Novosti" that "the goal of his service is not to drive any firm to ruin; in the case of "Partizan Book," however, BOAL Publicistic Activity, SAS could not keep silent and protect the privatization of social property." He also stated that the work of "Partizan Book" is not blocked by SAS control. However, SASY entered "Partizan Book" premises on 10 March, made an inventory, examined the book-keeping and blockaded the central warehouse.

The program committee judged that SASY had overstepped its authority. Or, as the well-known translator Dragoslav Andric put it: "It's as if for the sake of material and financial control of rail transportation, SASY stopped all the trains." Dr Najdan Pasic ascertained "such martial law leads to forced bankruptcy. And even if what the public prosecutor says is correct, those are, nevertheless, not reasons which should cause the ruin of "Partizan Book."

Financial director Radovan Odavic feels that SASY had cause to intervene, for the bookkeeping had been rather neglected. Chaos reigned. It is thought that SASY helped them greatly in getting their documents in order, but that the means did not suit the ends. In other words, he too, feels that the reasons for the intervention are entirely different: the publishing house should liquidate itself. Contrary to the statement made by the assistant director of SASY, Odavic asserts that SAS has "effectively sealed all our warehouses and paralyzed the work of the BOAL." At a meeting of the workers' council open to journalists last week, he ascertained that "the work of the inventory commissions was officially carried out independently; however, it was actually done by workers of SASY and FSS, who determined what's what, how much it's worth, whose it is and so on, and that the commissions of the workers' council do practically only manual work and record the conditions established by the SASY. In the long run, it will come out that we did it ourselves, since SASY and FSS do not officially appear anywhere on the papers."

Although the conclusions of SASY are not yet ready, general director Mihailo Delovic asserted at the aforementioned meeting that no privatization of

public resources had been established; there was no misappropriation, malversation or criminal activity. It was simply much ado about nothing. Actually unhealthy conditions put the healthy "Partizan Book" on ice; in May alone the damage in turnover was 65 million dinars. However, with adroit leadership the publishing house avoided the worst. For now. In the meantime, some business partners have turned their backs on it and stiffened their credit terms. Some have refused credit. After all, the warehouse was sealed for 40 days, which, as they claimed at "Partizan Book," would ruin anybody.

Are there some "political motives" behind SASY intervention? We have seen that a few eminent public servants really think so. Would someone respond to that? Whether that is current or not, the whole matter should be brought to an end in the public light.

Aldous Huxley noted in an essay that there are two types of censorship in the modern world: political (in the East) and economic (in the West). Economic censorship is characteristically unintentional, almost blind, and dependent upon supply and demand. In it, money really talks, and not only does it talk, but it can also buy silence. If it is certain that SASY had "political motives" in the case of "Partisan Book," this would be a new form of censorship: a symbiosis of political and economic censorship. Evidently politics is blameless, for it is not overtly present; economics is also innocent, for it is blind. Then money strikes the final blow and the rainmaker with his cock-a-doodle-doo-ing doesn't bother anyone anymore. Normally, all this would be worthwhile if in this case, in general, the matter at hand is censorship only.

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